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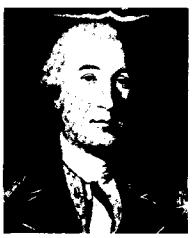

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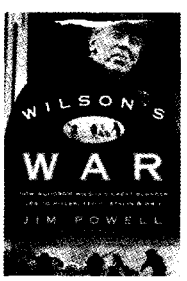

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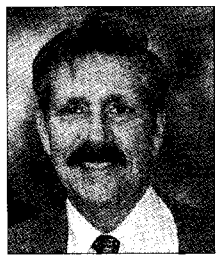
I'd Push the Button—To Establish Freedom Right Now



BY RICHARD M. EBELING

In April 1946, a month after the late Leonard E. Read established the Foundation for Economic Education, he gave a talk in Detroit called "I'd Push the Button." He said that if there were a button on the podium that would immediately abolish all controls and regulations on the U.S. economy, he would push it. With the pressure of one finger he would gladly transform America into a society of free men associating with each other on the basis of voluntary exchange, with government limited to the protection of life, liberty, and property.

When Read said this almost 60 years ago there were very few advocates of a truly free market in America. Both in the United States and around the world, collectivism was on the rise. There was a strong presumption that socialism and the interventionist welfare state were the necessary and inevitable future for mankind.

Today far more people express their support for the market economy and point out the hazards of "big government." They often cogently demonstrate the failure and corruption of political manipulation of society. And they say the "private sector" is the key to real and lasting solutions to our social problems.

However, we almost never hear voices declaring a desire to "push the button." Indeed, what passes for "deregulation" or market-based reform has almost no relation to Read's principled call for laissez faire.

Whether the policy issue is the coming crisis in Social Security, or the failure of public education, or the supposed environmental apocalypse, or the claimed threat from mass immigration into America, or the fear of jobs and business lost to foreign competition, the proposed "fixes" all entail a continuing intrusion of political power into the peaceful affairs of the citizenry.

What passes for "deregulation" or market-based reform has almost no relation to Leonard Read's principled call for laissez faire.

Let's look at two examples.

For 70 years the government has asserted its right and duty to plan the retirement of the American people through a compulsory pension system perversely called Social Security. Now, finally, the game is almost up, with not enough people in the working-age population to subsidize all the retirees who have been promised a certain level of income in their later years. However, rather than admit that it's all been a fraud and simply end this forced intergenerational redistribution of wealth, even the pro-market advocates merely propose various tweakings of the system: raise the retirement age, lower the promised benefits, and allow Americans to "invest" a portion of their plundered money into government-approved mutual-fund accounts.

This is not freedom; it is merely a continuation of the same old compulsory system under different rules and regulations. What might a real market reform look like? Well, one possibility would be to just abolish Social Security. The government directly owns more than one quarter of all the land in the United States. The land could be sold off at public auctions over a period of time with the proceeds being disbursed to Social Security recipients in descending order beginning with the oldest recipients. The payments would equal what the government robbed from them over the decades.

With Social Security taxes gone and millions of acres of formerly government-owned land transferred into the productive hands of private individuals, those who have been victimized by the system and who cannot make ends meet would and could rely on the generosi-

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ty of good people—just as it was before Social Security was imposed in the 1930s as part of FDR's New Deal.

Failed Schools

Many Americans are also frustrated and disappointed with the failure of and imposed "political correctness" in the government monopoly school system, perversely called "public" education. The shift into private schools and the growth of home-schooling demonstrate how much people desire to take greater control of and responsibility for their children's education. More and more parents are making this financial sacrifice in spite of the tax load with which the government burdens the average American family.

But where are the free-market voices that propose simple abolition of the government's schools? Instead, schemes are devised for vouchers, educational tax credits, and charter schools. The more fundamental question that is left out of these debates and proposals is: why is government in the school business to begin with?

As a number of writers have pointed out, including *Freeman* editor Sheldon Richman in his excellent book *Separating School and State* (1994), government schools began in the United States as a tool for political indoctrination to make all young Americans uniform and obedient "good citizens," as defined by the political authorities. This has continued up to the present time. The only thing that is different today from, say, 30 or 40 years ago is what the state curriculum designers consider to be politically correct.

All the often-angry battles over prayer and sex education in the classroom, or evolution versus intelligent design in the biology curriculum, or saying the pledge of allegiance at the start of the school day would disappear if the state school system were fully privatized.

Parents would send their children to the schools that taught the values and offered the curriculum they considered best for preparing them for the trials and opportunities of adult life. Furthermore, privatization would introduce real competitive excellence as schools strove to attract students at market-determined prices. Under a free-market educational system, rarely would any child be "left behind," because competition would lower the cost of a good education and private charities would extend opportunities for the less financially fortunate through scholarships and grants.

Schools on the Auction Block

How could this be brought about? Real market reform would entail privatizing the existing network of government schools. They might be turned over to the existing administrators and teaching staffs, who would become the "stockholders" of the companies. Or they could be auctioned off to private firms desiring to operate a single school or acquire a chain of schools on the market. At the same time, all legal and regulatory restrictions on operating private schools and all government rules on curriculum and staffing would be abolished.

Many of these more "moderate" and "modest" reform proposals actually threaten to entrench state power even more.

I am well aware that many in the free-market camp view such proposals as too "radical." Americans are not ready for such root-and-branch change, it is said. They need to be weaned from government dependency through gradual changes that would make them amenable to more comprehensive free-market reforms down the road.

There are two responses to this argument. First, many of these more "moderate" and "modest" reform proposals actually threaten to entrench state power even more. "Private" investment accounts with Social Security dollars run the risk of politicizing the financial markets even more than at present. And the voucher plan could extend even further the government's rules and regulations to all private schools that accept these political dollars.

Second, unless there are voices unafraid to present clearly and persuasively the principled and uncompromising case for a truly free society, the goal of liberty may never be established. Freedom requires people who call for "pushing the button," and who demonstrate why it would be good if we could.

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Perspective

The Impossibility of Dogmatic Liberalism

On the day I decided to write on the impossibility of dogmatic liberalism (you know what I mean by "liberal"), I thought it would be helpful to have a quotation from some prominent person referring to this imagined intellectual offense. Wouldn't you know it that *New York Times* columnist Paul Krugman would oblige? In a March 18 column about the World Bank and its new chief, Paul Wolfowitz, Krugman writes, "Dogmatic views about the universal superiority of free markets have been losing ground around the world."

It may be true that belief in the universal superiority of free markets (over what?) is not as popular as it was a few years ago. I don't know. But if true, it is partly because the "free market" label has been attached promiscuously to "reforms" in the ex-communist and developing countries. For example, when a regime sells state factories to cronies who formerly ran them as government officials, it is wrongly regarded as privatization.

But that's not the subject of today's discussion. Instead I want to examine this notion of "dogmatic views about the universal superiority of free markets," or dogmatic liberalism for short. It strikes me as incoherent in all but the most trivial sense. Liberalism ultimately is a set of ethical ideas. "It is wrong to initiate force" is a moral principle. Liberalism is universalizable, which is to say that since it is derived from requirements imposed by human nature and the nature of the world, it is valid for all human beings everywhere. And yes, liberals regard their principles as demonstrably true. Of course, anyone may question them—but only to the extent he is free to question anything; that is, to the extent he lives in a society that honors liberal principles, of which intellectual freedom is one. On the other hand, there is no liberal claim to omniscience or revelation. That's why liberals favor the competitive division of labor and knowledge. Claims of omniscience are happily left to the advocates of central planning.

There of course is a side to the term "dogmatism" that connotes a wish to impose something on someone. And it is in this sense that the charge of "dogmatic liberalism" shows itself to be incoherent. Free-market liberal-

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ism is the philosophy of *non-imposition*. "Anything that's peaceful," Leonard Read said. That hardly sounds dogmatic, intolerant, or even impatient.

A liberal society embodies the greatest degree of decentralization, of both knowledge and authority. It has no center of control over information or planning. Individuals are free to discover their own knowledge, choose their own authorities, formulate their own doctrines, and make their own plans. They need no one's approval. All they must do is respect life, liberty, and property. Professor Krugman should say what he regards as superior to that.

To grapple with the uncertain future, people evolve institutions and traditions, and they cling to them tenaciously in the face of challenge. But absent government backing, they cannot prevent others from building alternative institutions and traditions. There is always a rising generation full of people who believe things can be done better. In a market liberal society, they are free to try. While most will eventually come to terms with the prevailing mores, others will persist and in the process make significant and lasting changes at the margin. The accumulated changes of several generations can be dramatic. Market societies are moderately dynamic. No vested interest can find state-imposed shelter, but change is rarely disorienting.

It can hardly be dogmatism to advocate such a society. In fact, the idea that liberalism can be imposed on societies with little or no tradition of freedom is to misconstrue the philosophy.

F.A. Hayek wrote in "Why I Am Not a Conservative," "[T]he liberal position is based on courage and confidence, on a preparedness to let change run its course even if we cannot predict where it will lead. . . . [I]t seems to require a certain degree of diffidence to let others seek their happiness in their own fashion and to adhere consistently to that tolerance which is an essential characteristic of liberalism . . . the party of life, the party that favors free growth and spontaneous evolution."

Is this dogmatism? Or is that term more properly applied to those, such as Professor Krugman, who presumptuously call on government to disrupt the peaceful cooperation of the marketplace?

* * *

During the Revolutionary War, Americans were divided between the Patriots and the Loyalists. But there was also a third force, the Radical Patriots, and things would have turned out far different had they prevailed. Becky Akers explains why.

If proponents of the freedom philosophy could persuade people of one lesson it might be: Good intentions aren't enough. Andrew Morriss has some evidence that he brought back from Guatemala.

Austria is the home of the waltz and, for some of us, sound economics. Could the dance and the discipline possibly have anything else in common? John Hood's answer may be surprising.

In their unending hostility to the individualistic automobile, the social engineers tout mass transit as the vehicle waiting to take us to a paradise with neither traffic congestion nor air pollution. Today the "in" form of mass transit is light rail. But as John Semmens demonstrates, the case for light rail is light indeed.

Elections in the Middle East have the American political discussion abuzz about the prospects for democracy in that region of repressive regimes. Unfortunately, all too often democracy is mistaken for freedom. In this issue's Timely Classic, Edmund Opitz shows that these are two very different things.

Of all the ideas floating around about Social Security, one of the worst has to be lifting the cap on the amount of income exposed to the payroll tax. David Henderson makes the economic and moral case against this move.

Explorations far and wide have led our columnists to these results: Richard Ebeling wonders where the button-pushers are. Donald Boudreaux defends the decision to shop at Wal-Mart. Robert Higgs tells the story of the short-lived Republic of West Florida. Charles Baird reports on union hostility to the secret ballot. And Jude Blanchette, reading the assertion that competitiveness correlates with government activism, shoots back, "It Just Ain't So!"

In the book department, reviewers analyze volumes on Woodrow Wilson's war, the American empire, the mild West, and practical economics.

—*Sheldon Richman*
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Correction: April's "Perspective" erroneously identified Jeffrey Sachs as the president of Columbia Univeresity. He is a professor there. The president is Lee Bollinger.

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Intervention Explains Economic Success? It Just Ain't So!

BY JUDE BLANCHETTE

On the first day of an introductory statistics class a student is likely to learn the maxim "correlation isn't causation." Simply put, the correlation (a statistical relationship) between two variables doesn't mean that one caused the other. That the sun rises when roosters crow does not mean that roosters cause the sun to rise. To prove causation, one must employ a theory.

Economist Jeff Madrick, in his January 20 *New York Times* article, "Is Less Government Better for Business? Not if History Provides a Guide," has handed a Statistics 101 class a good example of the erroneous conclusions that can be reached when correlation is confused with causation.

"Going back in time, every successful capitalist economy in the world has had an active partnership between government and business," Madrick writes. "Even when the United States government was small in the nineteenth century, it built canals, subsidized the railroads, made private ownership of land accessible, and developed a widely envied public education system." One can see where Madrick is leading us: It is the active partnership between government and business that creates capitalist prosperity.

What Madrick misses is that the mere incidence of government intervention in the economy throughout U.S. history is not enough to prove that it helped create our prosperity. Perhaps *more* economic growth would have occurred *without* the intervention. To verify his assertion Madrick must construct a theory. "Government increases prosperity because it corrects 'market failures' " would be one example of an explanatory theory (albeit an incorrect one).

To see how the absence of a theoretical base can lead to confusion, consider the following "historical" statements:

- Every successful capitalist economy in the world has had the presence of airborne diseases.
- Every successful capitalist economy in the world has had rotten food.
- Every successful capitalist economy in the world has had dirty water.

We can see that it would be preposterous to claim that airborne disease, rotten food, or dirty water created the wealth we enjoy today. They were all negative occurrences that most likely hindered, not encouraged, economic growth. And so it is with government intervention in the U.S. economy.

To further bolster his case, Madrick attacks the *Index of Economic Freedom*, published by the Heritage Foundation and *Wall Street Journal*, which correlates prosperity with economic freedom. Contra this survey, he cites the World Economic Forum's "Global Competitiveness Report." According to Madrick, "The forum's growth competitive index is based heavily on an opinion survey of business executives, as well as measures of technological sophistication and other factors." The report finds that Norway, Sweden, and Finland all rank high in competitiveness, and, Madrick concludes, even though they have "high taxes and generous welfare systems, [they] are considered by business executives among the 10 most competitive nations. Why? Because they use their government spending to improve education, for example."

Madrick may hope his readers won't track down the report and read it for themselves. While it is true that Norway ranks first (incidentally, the United States is second), active government management of the economy is not the reason. Rather, the executive summary notes, Norway has "low levels of corruption," "widespread

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respect for contracts and the rule of law," and a private sector that shows "a proclivity for adopting new technologies, and nurtures a culture of innovation." Finland "has been running budget surpluses." This is not exactly intellectual ammunition for government planners.

It is also important to note that an opinion survey of business executives is not necessarily a guide to sound policy. Unfortunately, business and government often work actively together to the detriment of the economy. Government handouts have seduced business leaders into becoming wards of the state.

In his enthusiasm for this survey Madrick also seems at odds with the article's publisher, the *New York Times*, and others who commonly assert that we should fear a global "race to the bottom," that is, countries attempting to attract business by cutting back government services. But here we have Madrick asserting that business leaders prefer, not low taxes, loose environmental regulations, and pro-business labor laws, but precisely the opposite.

No matter what some executives might indicate in a survey, the proper role of government is to secure property rights. Once individuals are safe in their persons and possessions, their entrepreneurial ability knows few boundaries. The constant search for new and better ways to serve the consumer is at the heart of our economic growth. Yet once a government oversteps this limited role it becomes a threat to prosperity, not its progenitor. Ludwig von Mises makes much the same point: "gasoline is a very useful liquid, useful for many purposes, but I would nevertheless not drink gasoline because I think that would not be the right use for it."

Almost every example of government's positive influence on the economy that Madrick employs is fallacious. He exhorts politicians to do for college education what they did 100 years ago for primary education: make it "free." If 2 trillion in tax dollars were spent subsidizing college education, Madrick writes, "imagine the gains in new ideas, in superior labor force and in productivity in general."

But there's no direct correlation between a college degree and "new ideas" or a "superior labor force." As *Forbes* magazine reports: "Fifty-eight members of The Forbes 400 [a list of the wealthiest Americans] either avoided college or ditched it partway through. These 58—almost 15% of the total—have an average net worth of $4.8 billion. This is 167% greater than the average net worth of the 400, which is $1.8 billion. It is more than twice the average net worth of those 400 members who attended Ivy League colleges." I doubt that new ideas are lacking in this group.

College Graduates Earn More?

This brings us to another incidence of the correlation-causation fallacy. The argument is often made that a college degree causes increased income. The statistic often bandied about by college administrators (and parents) is that college graduates earn 77 percent more than high-school graduates. This is misleading. While it is true that the majority of high earners went to college, it doesn't necessarily follow that a high income is the effect of a college degree. Smart and ambitious people (like Bill Gates) tend to do well no matter what level of education they have, and because bright individuals who graduate from college go on to earn high incomes (which they most likely would have done anyway), the graduate-income statistic trends upwards.

Madrick saves the best for last: "If our politicians realize that the purpose of government is to adapt to, and even promote, change, they may at last deal successfully with the nation's problems." His teleocratic, or ends-oriented, view of government presumes knowledge on the part of politicians that they have never demonstrated before and raises many questions, most of which F. A. Hayek dealt with in *The Road to Serfdom*. Exactly who decides which changes are to be promoted and which are to be stunted? Does the promotion of change come at the expense of property rights and liberty? How much power do we grant the government to bring about this change?

Using "change" as the organizing principle of government action is an old notion. As long as men have held power, they have sought to justify its use, and "adapting to and promoting change," being so abstract, fits just about anything.

In contradistinction to political change, consider the change and innovation one sees in the marketplace. Unlike any overarching plan for change that the federal government might pursue (which necessarily excludes all other competing plans), the market economy allows each and every one of us to identify and, individually or collectively, pursue goals. Change, to be individually meaningful, must be personal.

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The Radicals' Rancorous Rage

BY BECKY AKERS

In a revolution for liberty, they sought power. In an age of individuality and self-reliance, they demanded obedience. In a century of personal excellence, they relished "leveling."

They called themselves Radical Patriots, as though the troops who starved and froze at Valley Forge weren't patriotic enough. But these eighteenth-century politicians had about them little that was either radical or patriotic. They tried to subvert the truly radical revolution raging round them because, as one Loyalist bitterly summarized it, they "hate Tyranny, but . . . their meaning is they hate Tyranny when themselves are not the Tyrants."[1]

The Radicals first roared to power in Philadelphia in the 1770s. They were establishing themselves, flexing their muscles, when the British sent them flying and occupied the town during the winter of 1777–78. Philadelphia's reprieve ended with the British withdrawal that June. The Radicals returned, with policies so disastrous that they brought the city to the brink of financial ruin and civil war. Nevertheless, their influence seeped throughout the state because their ideology had been codified in Pennsylvania's constitution. That document extolled government as a benign agent for progress, declaring that God "alone knows to what degree of earthly happiness mankind may attain by perfecting the arts of government. . . ."[2]

From Pennsylvania, the Radicals ascended to the Continental Congress. They never achieved their dream of ruling America, but for a few heady months they ruled Congress. Fortunately, the Radicals as a political party faded with the war. Unfortunately, their legacy lingers to this day.

Fortunately, the Radicals as a political party faded with the war. Unfortunately, their legacy lingers to this day.

Their rapid rise was helped by the desperate circumstances the American Revolution inflicted on Philadelphia. Before the war, Philadelphia had been one of the New World's loveliest cities. Its wide streets were paved, a contrast to the dirt lanes in other towns, and they lay at right angles in a spacious, logical grid. Lining them were elegant brick homes and churches, general stores, specialty shops, and even a few theaters, despite Quaker objections. Boasting roughly 30,000 inhabitants, Philadelphia was the largest city in the British empire after London (with 1,000,000).

Then came the war. Philadelphia's glory sank beneath the twin blows of inflation and invasion.

Under the Crown, the 13 colonies had been forbidden to coin silver and gold. That meant the newly "free and independent States" had few mines, no dies for coining, and consequently no hard money for prosecuting the war. Congress turned to the printing presses, whose abundance in literate America proved a curse when paper money flooded forth. The resulting inflation crippled the revolution as seriously as a military defeat. Everyone suffered as markets emptied and necessities became luxuries. But at least those Americans who farmed would not starve. Philadelphians, on the other hand, were unable to grow the food and firewood they could no longer buy.

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In September 1777 British and Hessian troops under General Sir William Howe captured Philadelphia. They would make the city their winter quarters for the next nine months. While civilians scrambled for scraps, the enemy feasted at banquets, threw parties, gambled, and attended theater, often in the company of Philadelphia's young belles. Some of these girls were Loyalists; most probably cared little about politics, especially when a party was in the offing. A few may have been Patriots stranded in the city, though many Patriots, real and Radical, fled their homes.

The British officers who took over those abandoned houses did not trouble themselves to preserve rebel property. They chopped holes in parlor floors so that privies could drain into cellars. They fed furniture and fences to their fires. They looted valuables and trampled gardens. They converted churches into riding schools after cooking dinner over the pews and pulpits. With callous irony, they degraded the State House, which had seen the signing of the Declaration, by imprisoning captured American officers there.

When the army evacuated the following June, both varieties of Patriots returned to a city and to homes devastated almost beyond recognition. The officers and troops who had wreaked such damage were gone, beyond the homeowners' revenge. But large numbers of Philadelphians in addition to the flirting ladies had remained in town through the winter. Whether they were too old or weak to leave, or whether they were Loyalists glad to welcome His Majesty's government into the rebels' capital, these folks had accommodated the troops, sometimes by choice, other times by compulsion. That made them all Loyalists to the furious Patriots now seeing their ruined homes for the first time.

The Radicals, consummate politicians, manipulated this explosive situation to increase their power. They welcomed citizens' demands that revenge be taken for the destruction and dissipation the British had left in their wake. Radicals promised that their government would enforce morality while rooting out the corrupt culture the British had foisted on their city. Coincidentally, that meant rooting out anyone who enjoyed British fashions, books, victuals, or friends.

The Radicals also promised a solution to the worsening inflation. They had already tried their hand at this in 1776, when they passed laws to save the credit of the Continental dollar—which succeeded as well as if they had legislated that the Continental Army would no longer lose battles. Nevertheless, blithe in the face of failure, the Radicals now tried fixing prices and wages.

Though the Radicals had no authority to do so, they appointed a "Committee of Inspection" to spy on merchants and guarantee that they were cheating themselves in accordance with the new policies. The committee was soon poking its nose into all sorts of private transactions. Merchants suspected of selling goods for more than the Radicals liked were hauled before the committee and threatened with seizure of their stock—or worse. Though one leading Radical disapproved of these extralegal shenanigans, he wanted to monitor those "suspected characters" whose "spirit of Aristocracy and Pride of Wealth" prompted them to sell their goods for a profit.[3]

Goods went from scarce to nonexistent as merchants packed up their wares and sought saner markets in states where price-fixing was still the stuff of madness and "inconsistent with the principles of liberty."[4] The Radicals retaliated by condemning the entire class of merchants, cursing them as "forestallers" and "monopolists."

Price Controls Violate Property Rights

In 1779, with hunger still haunting Philadelphia, 80 of those forestallers and monopolists argued before the Pennsylvania Council that requiring anyone to accept an arbitrary price for his goods destroyed property rights: "The limitation of prices is in the principle unjust, because it invades the laws of property, by compelling a person to accept of less in exchange for his goods than he could otherwise obtain, and therefore acts as a tax upon part of the community only."[5] The merchants pointed out that price-fixing had accomplished exactly the opposite of its proponents' claims: far from reducing costs, it had instead made the fixed goods scarce while raising prices on those goods that had thus far escaped the government's control. Anyone who could afford to was hoarding in anticipation of further scarcity.

Also bewailing Radical economics was General John Cadwalader, a merchant whose service with Pennsylvania's militia had nevertheless not been enough to redeem him in Radicals' eyes. He warned that controlling prices "must inevitably produce immediate ruin to the mer-

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chants and mechanics [the working class]; and a scarcity, if not a want of every necessary of life, to the whole city." Worse, there was no natural famine, only the shortage that results when government interferes with supply and demand: "A plentiful harvest has filled the country with an abundance . . . and a market would bring such quantities to the city, that there would be no want of these necessaries in the future."[6]

Pennsylvania's delegate to Congress, James Wilson, protested price-fixing schemes to that body: "There are certain things . . . which absolute power cannot do. The whole power of the Roman emperors could not add a single letter to the alphabet. Augustus could not compel old bachelors to marry," and government could neither improve nor prevent the give-and-take of the market.[7]

But it would take more than a ruined city to dent Radical arrogance. Even after witnessing the misery to which their policies had reduced a once wealthy town, they refused to admit their mistakes. They remained true to the Politicians' Creed—"I believe it's everyone else's fault, not mine"—and excused Philadelphia's empty pantries by proclaiming, "If goods have been removed, we are not the persons who have removed them; and if those who have been guilty of such practises, should plead in excuse that they did it because they could get a few pounds more in other places, what is it but to confess they care nothing for the welfare of the community among whom they reside, and that avarice and self-interest are their only principles."[8]

"Avarice and self-interest" were the worst sins a Radical could conceive, far more heinous than stealing Loyalist estates or hanging political opponents. One Radical even fumed that "to induce persons to lend money [to the Continental Army] by promises of exorbitant interest, is not only to *dishonour a virtuous cause by applying to our vices for support*, but is adding distress to our country, by fueling the disease which occasioned it."[9] Radicals saw wealth as corrupting—unless, of course, it was theirs. Wealth was a mark not of ambition, foresight, discipline, and self-restraint, but of wickedness, while those who created wealth, who owned businesses or land, were evil. Making money, per se, was evil too. The Radicals strove to reform those showing self-interest, the wealthy and those trying to become wealthy, by vilifying their "greed" and hobbling them with regulations.

The Radicals expected citizens to injure themselves in favor of the "common good," which, as defined by the Radicals, meant their regulations: "the social compact in a state of civil society . . . requires that every right or power claimed or exercised by any man or set of men, should be in subordination to the common good."[10] Then, as astute officials often do, the Radicals redefined their terms. Rather than a market's being free when left alone by government, it was free, they declared, when it guaranteed "the right of everyone to partake of it, and to deal to the best advantage he can, on just and equitable principles, subordinate to the common good; and as soon as this line is encroached on, either by the one extorting more for an article than it is worth, or the other for demanding it for less than its value, the *freedom* is equally invaded and requires to be regulated."[11] Obviously, only Radical bureaucrats could decide whose principles were just and equitable, when private deals violated the common good, and what sorts of regulation would best redress extortionate prices, as well as the point at which those prices became extortionate.

Radicals further controlled the economy by branding certain transactions moral and others sinful. Men selling shoddy wares at low, Radical-approved prices were good. Men smuggling rare goods into Philadelphia for sale on the black market were bad because they charged high prices to cover their risk and trouble. Radicals expected Philadelphians to content themselves with moldy bread and sour butter, sold at controlled prices, rather than hanker for good but expensive beef and pork.

Ferocious Hatred

The Radicals did nothing by halves: they loathed and loved with equal ferocity. They hated wealthy men, extravagance with one's own money, frugality with the public's money, free markets, monarchy. They loved government (providing they ran it), mobs, demagoguery, and, amazingly, the Revolutionary War. That last might have been their one virtue, had their fanaticism not turned it into a vice. They persecuted, sometimes to death, anyone whose support for the war they deemed lukewarm.

The words to describe Radical ideology would not be coined until a later century's horrific experiments in

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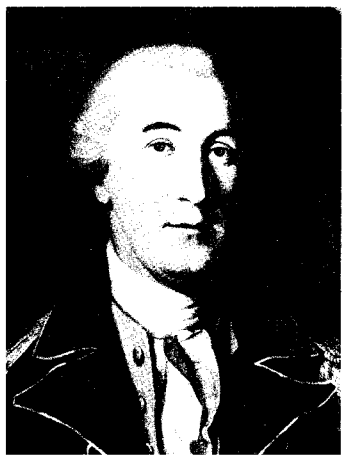
totalitarianism, but they were fascists in their itch for control, socialists in their economics, and Marxists in their humorless sanctimony. They were also utopians who cared little for their victims as they struggled to remake the world to their Spartan specifications. Their version of nirvana was frighteningly modern: a strong government regulating social and economic interactions while forcing citizens to be virtuous—or at least to cultivate those "virtues" the Radicals approved. These consisted primarily of veneration for the state, simplicity in manners and fashion, disdain for luxury, and thrift. The Radicals also expected every citizen to "feel for the public as for himself."[12] Those who "felt" for family and friends ahead of the abstract "public," who were wealthy or aspired to be, who were ambitious and self-interested, and who defined the Radicals' virtues differently or prized other virtues more were enemies of the state.



Joseph Reed (1741–1785)
Revolutionary officer, Pennsylvania political leader, member of Continental Congress

Painting by Charles Willson Peale.
Courtesy Independence National Historical Park

Also high in the Radical pantheon were equality and democracy. And, as many Americans still do, the Radicals stretched these strictly political ideas to cover all of life. Anyone who considered himself a notch above his fellows, even if he had earned such distinction, could hardly be a good Patriot. Most likely, he was not a Patriot at all. It wasn't long before anyone of great learning or wealth or excellence in any area was suspected, even hated.

That applied particularly to some of the wealthiest folks in the world, the British king and nobility. Hating them was a Radical duty, if not a downright pleasure. Indeed, the Radicals so savored the hating that they extended it to all things British. The revolution, then, became a war aimed at the *British* rather than the British *government*. That distortion, immortalized in countless textbooks and taught in countless classrooms, allows the significance of a rebellion against the statist muck miring mankind to slip past unnoticed.

Despite their catastrophic reign, the Radical Patriots have escaped all censure. This may be due to the legitimacy that men who should have known better, such as Benjamin Franklin and Thomas Paine, lent them by helping them write Pennsylvania's constitution. But many lesser-known Radicals are also revered as heroes. Joseph Reed, for example, a leading Radical who became president of Pennsylvania, began the war as a lackluster officer on General Washington's staff. But Reed benefited from something more telling than courage: an admiring descendant wrote his biography. He whitewashed Reed's record with the army and also papered over blemishes in his career with the Radicals. President Reed could sound positively Robespierrian at times—he once called two citizens whom he was about to hang "animals" and expressed hopes for their "speedy execution"[13]—but his biographer ignored such outbursts.

Then, too, the Radicals have been almost entirely forgotten. Out of the extensive body of literature on the American Revolution—Amazon.com carries almost 4,000 books on George Washington alone—perhaps a handful of volumes mention them at all, and only one is devoted to them. That study was written by a Marxist who openly admitted his admiration for his subject.[14]

Radical Legacy

But though the Radicals have disappeared so completely not even footnotes disclose them, their ideas continue to torment the country—as do their methods: what worked on eighteenth-century Americans works as well today, and politicians, seldom original in their evil, merely recycle Radical tricks. During their tenure in Philadelphia, the Radicals pulled stunts still popular in the political repertoire, whether setting wage and price controls or banning anything fun, specifically theater, horse-racing, and gambling. They stifled dissent by dismissing their critics as "Loyalists" in cahoots with the British, just as the President's critics today are slandered as soft on terrorism. Not surprisingly, many Philadelphians with choice estates turned out to be Loyalists whether they protested Radical measures or not, and their properties were confiscated in an early version of asset forfeiture. They were the lucky ones: a few "Loyal-

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ists" who especially irritated the Radicals were hanged. Finally, as they committed their worst outrages, the Radicals canted about liberty. Like modern leaders, they used the same words other Americans did but first took care to twist them to their purposes. The Radicals called for "freedom" loudly and often, but they meant freedom *through* government, not freedom *from* government. Nor were they concerned that they thereby spoke not of freedom at all but of slavery. They were perhaps the first American politicians to use the rhetoric of liberty to destroy liberty.

The beggary the Radicals inflicted on eighteenth-century Americans warns 21st-century Americans against the state. Neither original nor unique in their folly, the Radicals were the usual run of rulers, mouthing the same tired lies, hiding behind the same old excuses. Like today's politicians, the Radicals claimed they could manage markets better than those participating in them. When that failed, they played one group of citizens against another, consumers against merchants, Patriots against Loyalists, persuading each that the other was an enemy from whom only government could save them.

The cooperation inherent in free markets vanquishes such paranoia, but many folks, then and now, listen to the demagogues instead of trusting their own experiences in the marketplace. And because revolutionary Americans nearly worshipped political freedom, the Radicals couched even their most dictatorial laws and ideas in the language of liberty. However, they subtly and without fanfare reinterpreted terms until their words meant the opposite of what their audience actually heard. So it goes today. Politicians speak of "security" when they mean surveillance by government, "gun rights" when they mean gun registration, and "equality" when they mean that some groups will be favored over others.

A poet who survived the Radicals' rampage described their tactics, still in use today:

> The Mob tumultuous instant Seize
> With Rancrous Rage, on whom they please.
> The People Cannot Err.
> Can it be wrong in Freedom's cause
> To Tread down Justice, Order, Law
> When all the Mob concur?[15]

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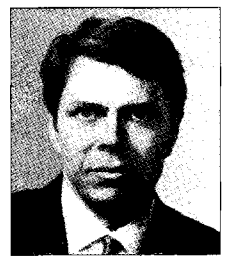

Are Private Decisions Trustworthy?

BY DONALD J. BOUDREAUX

Writing in the February 28 edition of the *New York Times*, former Secretary of Labor Robert Reich defended Wal-Mart against its many detractors in this way: "After all, it's not as if Wal-Mart's founder, Sam Walton, and his successors created the world's largest retailer by putting a gun to our heads and forcing us to shop there."

Indubitably.

But Reich defends only Wal-Mart's motives. He disdains its results and accepts the truth of the widely repeated claim that the Arkansas-based chain embodies the worst kind of economic exploitation. According to this claim, it pays its 1.2 million American workers an average of only $9.68 an hour, fails to provide most of them with health insurance, keeps out unions, has a checkered history on labor law, and turns main streets into ghost towns by sucking business away from small retailers.

Reich goes on to argue that Wal-Mart's undeniable success in voluntarily attracting workers and customers to its stores is *not* evidence of what citizens want. Indeed, it's not evidence of what even Wal-Mart's own workers and customers want. Here's Reich's reasoning:

> The problem is, the choices we make in the market don't fully reflect our values as workers or as citizens. I didn't want our community bookstore in Cambridge, Mass., to close (as it did last fall) yet I still bought lots of books from Amazon.com. In addition, we may not see the larger bargain when our own job or community isn't directly at stake. I don't like what's happening to airline workers, but I still try for the cheapest fare I can get.
>
> The only way for the workers or citizens in us to trump the consumers in us is through laws and regulations that make our purchases a social choice as well as a personal one. A requirement that companies with more than 50 employees offer their workers affordable health insurance, for example, might increase slightly the price of their goods and services. My inner consumer won't like that very much, but the worker in me thinks it a fair price to pay. Same with an increase in the minimum wage or a change in labor laws making it easier for employees to organize and negotiate better terms.

While Reich's argument is weak, it isn't absurd. At least he acknowledges that consumers rationally choose to shop at Wal-Mart. He tries to explain how voluntary and rational consumer choice might still result in unintended outcomes that are undesirable.

Those of us who respect the invisible hand—who understand that society is largely a rich complex of outcomes unintended by individual actors—cannot dismiss out of hand an argument such as Reich's. Unintended outcomes need not always be desirable. If property rights are ill-defined or poorly enforced, then the same profit-seeking, bargain-seeking behaviors of individuals that otherwise lead to economic prosperity can lead to economic stagnation or worse.

Nevertheless, Reich's argument fails. Its most gaping flaw concerns his treatment of workers. Even the lowest paid Wal-Mart employee—say, a minimum-wage worker without any employer-provided health insurance or other fringe benefits—is better off because of Wal-Mart. We know this because he is working there. Destroying Wal-Mart would leave him with his next-best alterna-

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tive, which he voluntarily rejected in order to work at Wal-Mart.

Many people dismiss this straightforward observation, arguing that Wal-Mart succeeded largely by destroying higher-paying jobs in smaller retail stores. But this argument is implausible. Almost all of Wal-Mart's retail workers are low-skilled. The wages they would earn were they employed instead by mom-'n'-pops—even mom-'n'-pops shielded from competition like Wal-Mart—would also be low. Wages generally reflect each worker's productivity, how much he adds to the employer's bottom line. Mom-'n'-pop stores are no more willing or able than Wal-Mart to pay a worker more than he contributes. So it's almost certainly the case that without Wal-Mart, the bulk of its workers would be worse off.

Consumers Benefit

Isn't it obvious that Wal-Mart benefits consumers? As Reich himself points out, no one is forced to shop at Wal-Mart. People shop there because it offers attractive deals.

But Reich argues that an individual consumer's choice might not reflect his genuine wishes. Suppose, for example, that every consumer truly prefers to keep Main Street unchanged and would be willing to pay higher retail prices if that were necessary to assure this outcome. The problem arises because each consumer reasons, "My shopping at Wal-Mart—and not at Mom-'n'-Pops—will not *by itself* have much of an effect. So I'll take advantage of Wal-Mart's low prices."

This consumer is right. Trouble is, *all* consumers reason the same way. So each tries to free-ride off what he hopes will be the choices of others to keep patronizing higher-priced Main Street retailers. The result is that Wal-Mart's competitors lose too many customers to remain in business. They shut their doors forever even though each consumer would sincerely have been willing to pay higher prices to keep Main Street unchanged.

Again, this scenario is possible. But contrary to Reich's claim, its possibility is no recommendation for government regulation. To see why, note how easily the argument can be reversed.

Suppose that today Wal-Mart is the only retailer in town, situated on its standard large plot of land a few miles from downtown. Tomorrow, smaller rivals open up on Main Street. Further suppose that all consumers truly want the Wal-Mart to remain open—perhaps they worry about where Wal-Mart's employees will work if the store closes down. But although each consumer truly prefers that Wal-Mart survive, each also chooses to patronize the more conveniently located downtown retailers. That is, each consumer tries to free-ride on what he hopes will be other consumers' continued shopping at Wal-Mart. But with each consumer acting this way—with all of them opting to enjoy the greater personal convenience of patronizing the close-in Main Street retailers rather than suffering the inconvenience of driving out to the Wal-Mart—the Main Street retailers prosper and the beloved Wal-Mart shuts down.

Undesirable Outcomes

Spinning such tales about how voluntary choices *might* produce undesirable outcomes is simply too easy. It represents the triumph of puerile cleverness over wisdom. Almost *any* outcome of voluntary choices can be doused with suspicion if such tales are taken seriously.

Wisdom lies in recognizing that our world is no Shangri-la in which all dreams become realities, all desires are satisfied, and all doubts are extinguished. The best we can do is to trust that each person who makes choices with his own property generally believes that they are best for him. Guided on one hand by market prices and on the other by the obligation to avoid physically harming other people and their property, these individual choices will indeed result in unintended consequences—consequences that experience shows again and again not only to be beneficial in their own right, but far better than the consequences produced by political decision-making in which virtually all connection between authority and responsibility is broken.

Empowering government to override private, property-rights-based decisions for no reason other than the mere possibility that these decisions might not result in the most-desired outcomes is a preposterous irony.

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Law and Good Intentions

BY ANDREW P. MORRISS

Americans, not just classical-liberal ones, have an almost instinctual distrust of government. Our nation began in a revolt inspired partly by the "Intolerable Acts" of King George III and taxation without representation. The Declaration of Independence recited a lengthy list of grievances against the British government, summarized as "a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States."

This instinct, which often mystifies our foreign friends despite their own experiences with tyrannies, is put on a solid theoretical footing by Public Choice theory, pioneered by James Buchanan and Gordon Tullock in *The Calculus of Consent* in 1962 and developed thereafter by an ever-growing number of scholars. Public Choice explains why governments favor special interests. Providing benefits to a small group at the expense of the diffuse majority seems like such an obvious course of action once one has read Buchanan and Tullock that it is hard today to grasp just how revolutionary their theory was when it appeared.

Yet *The Calculus of Consent* was a revolutionary document, as revolutionary in its way as the Declaration not quite 200 years earlier. When the book was published, the reigning theory of government (one still taught in many high schools and even some colleges) was the "public interest" theory. Under this theory each legislator is motivated to serve the interest of the public at large. If pollution is the problem to be addressed, then the legislature seeks to minimize the total costs of both reducing pollution and pollution itself by choosing the least costly methods and the most appropriate regulatory measures to do so. Statutes and regulations are not intended to advantage particular industries or regions at the expense of others, but to benefit all.

Public Choice explains why governments favor special interests.

Despite Americans' skepticism about government, they continue to have a great deal of faith in some aspects of it. Polling data consistently support the contradictory conclusion that although Americans do not believe the government is looking out for the public interest and correctly identify a variety of special interests as benefiting from regulations, they also think well of their own representatives and of the local governments with which they have more direct experience. General questions about trust in government find most people are skeptical quasi-libertarians. Questions about specific regulatory policies often find the opposite, however, with majorities in favor of government action. In short, the American attitude is something like: "They're all crooks except for my guy—he's looking out for me" and "Special interests control the government except for the environment, labor protection, workplace safety, and so on."

This seeming paradox is present in many people's reaction to Public Choice analysis: "Yes, but what about the good intentions of the really dedicated public servants?" While recognizing that particular accounts of the dispensation of special favors are true, nonclassical

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liberals often react to attempts to generalize from those case studies by accusing classical liberals of being "cynical." We classical liberals can protest until our faces turn blue that Public Choice does account for good old Congressman Smith and Bureaucrat Jones, who really are selflessly dedicated to the public good. Smith and Jones have to keep their jobs to exercise their selflessness, and keeping their jobs means getting re-elected and maintaining (or increasing) their agency budgets. After all, if Smith loses his seat and Jones her job at EPA, neither will be able to be selfless on behalf of the rest of us. Competing for resources in the political arena requires even those with good intentions to get down in the trenches—seeking votes and campaign contributions, for example—and trench warfare requires allies. Sometimes those allies come with a price, such as a minor tweak to rules or legislation that helps a particular interest group. Such compromises, which are absolutely necessary to maintaining an agency or a seat in Congress, are inevitable and offer special interests the opportunity to influence even the best-intentioned public servant.

Unfortunately, I rarely find that this answer persuades those convinced of Congressman Smith's and Bureaucrat Jones's dedication to the public. Smith and Jones have such good intentions that no list of counterexamples will persuade some folks to not fall back on a public-interest explanation from time to time. How then should we address the question of the good intentions of our public servants?

A recent visit to Guatemala gave me some new answers to the problem of good intentions. I have spent several months over the past few years teaching at Universidad Francisco Marroquín, a free-market university in Guatemala City, and traveling around Guatemala. Unlike Americans, Guatemalans do not have many illusions about government. Having experienced a brutal civil war for several decades, military dictatorships (including some headed by generals of questionable sanity), and endemic corruption, Guatemalans with whom I have talked go well beyond Public Choice theory's "getting re-elected means I need to compromise my principles to gain votes and campaign contributions" explanation for how the well-intentioned politician might serve special interests. (Although my impressions of Guatemalan public opinion are not based on scientific surveys, they are based on talking with many students and faculty, as well as individuals outside the university.)

Guatemalans largely believe their politicians are thieves—with considerable justification. Members of the last government, for example, appear to have stolen on a scale that even legendary Chicago machine politicians would admire: the former tax administrator is accused of stealing more than 62 million quetzales (approximately $8 million); millions more vanished from the social-security trust fund; and the former president fled the country. These are but a few of the scandals since the last election. Not surprisingly, besides believing that government is generally corrupt, many Guatemalans also believe that almost any particular politician is corrupt as well.

Despite this history of corruption, three programs of recent Guatemalan governments are examples of good-intentioned policies, and few people tell special-interest stories about them. Yet all three have failed spectacularly. Their failures provide at least a partial answer to the question of how to understand why even good intentions are not enough to justify government action.

Traffic-Safety Mimes

Because unemployment is high, many street corners in Guatemala City feature individuals hustling to earn money by entertaining drivers stuck at traffic lights. Clowns, acrobats, and mimes of various skill levels perform and then walk down the line of cars asking for contributions. Far less obnoxious than the "window cleaners" who used to plague New York City drivers, some of these individuals are genuinely entertaining, while others are simply sad.

To promote the use of seat belts, the Guatemala City municipal government hired 20 street mimes in April 2001. They approached cars and when an occupant was seen not wearing a seat belt, they mimed buckling up. The program's intent was only the best: Guatemala City traffic is alarmingly chaotic, with frequent accidents. Seat-belt usage is clearly lower than it ought to be, particularly given the driving habits. Buckling up is a low-cost way to save lives—by any measure, encouraging more people to use seat belts voluntarily would improve Guatemala.

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Moreover, hiring a few street mimes can hardly be seen as a special-interest program, and it would cost relatively little. (Admittedly, the program benefited the mimes, who no longer depended on tips, and insurance companies, which might pay out less in injury awards if more people used seat belts.) If we concede that this was an attempt to serve the public interest, we are left with the puzzle that the program was unpopular and abandoned after only a few months. Why?

Most people with whom I spoke about the program said it was unpopular because people found it annoying to be hectored by strangers. Drivers did not like the well-intentioned advice to buckle up being personally directed at them by a mime. Government failed not because it delivered a windfall to street mimes, but because the idea of a nanny state is unattractive when it is personalized. Guatemalans do not want the government to station people on street corners to lecture them (even silently) on appropriate behavior—even behavior that is virtually costless and has large benefits. People tolerate things like the increasingly strident warning labels on cigarette packages because we can ignore them if we choose. But put a mime just inches from our faces, buckling his imaginary seat belt, and people rebel because the nanny is impossible to ignore. Good intentions aren't enough.

> Despite Americans' skepticism about government, they have a great deal of faith in some aspects of it.

Teaching Literacy

Guatemala has an enormous literacy problem. Many of its people speak only one of the 23 indigenous languages (and an even larger number of dialects) rather than Spanish, and even more cannot read and write Spanish or any indigenous language. (The official literacy rate is only 71 percent.) Unless Guatemala solves this problem, its economic future is bleak. Promoting Spanish literacy is critical and clearly in the public interest, however defined.

To do so, the education ministry in December 2000 decreed that every Guatemalan high-school student would have to teach someone to read and write in Spanish. The aim was noble. And although the means chosen were questionable (are high-school students really equipped to teach literacy? By what right does the state conscript labor even for noble purposes?), the program hardly benefited a special interest. If anything, for-profit Spanish teachers were disadvantaged by the competing flood of conscript labor. Nonetheless after three years the program was discontinued.

Again, let us concede that this was a genuine attempt to advance some public interest. Why did it fail? One important reason was the predictable result of making something valuable (a high-school diploma) depend on the cooperation of someone other than the student, in this case the illiterate. The illiterate cannot read and write, but they understand incentives. Quickly realizing that they had something valuable (their teachable status), the illiterate (who, of course, were mostly poor as a result of their illiteracy) began charging the high-school students to give them lessons. Paid by the lesson, the illiterate lacked any incentive to succeed in learning to read—indeed, the slower people learned, the more lessons they could charge the students to give to them. Good intentions were not enough to overcome the bad incentives created by this program. Eventually, the stories about the need for high-school students to pay the illiterate to learn led to the program's downfall.

Protecting Forests

Guatemala is a lush, green country. The central highlands have extensive forests. The jungle in the northern region stretches as far as the eye can see. Seeking to protect its forest resources, the Guatemalan government restricts logging. In particular, because of extensive deforestation in the department of Totonicapan, the government in the 1990s decreed that landowners must pay the government a fee and agree to plant five new trees to gain permission to cut down a tree on their own land. (The fee varied with the size of the tree cut down.) Being sensible (and this is the good-intentioned part), the government left an exception for cutting down trees infected with the *gusano peludo*, or "hairy worm." That pest had infected large areas of the department, and the only remedy was to remove the

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trees. This is the weakest of my public-interest examples because there is abundant evidence that government land-management policies are driven by interest-group pressures. Let us nonetheless concede for purposes of argument that this was a good-faith effort to protect the environment.

Not too surprisingly, people who wanted to cut down trees determined that infecting them with the worm, easily done by placing infected pine cones near healthy trees, avoided the fee and the need for replacements. After this decree was issued the number of infected trees skyrocketed. The policy failed to protect Guatemala's forests, even harming them as the infected area spread to provide an excuse for timber harvests. The reason is simple: Something valuable was available only if it first was infected. Not taking account of the economic incentives created by the well-intentioned rule doomed it to failure.

> Good intentions were not enough to overcome the bad incentives created by Guatemala's literacy program.

My three examples of good intentions gone bad are not, of course, a formal proof that they will never produce a successful government program. They do illustrate the perils of relying on good intentions alone, however. The street-mime program failed because the Guatemala City government did not consider how drivers would react to being personally nagged. Spending someone else's money, the city government had little incentive to do market research on the effective means of increasing seat-belt use and, with the best of intentions, did not accomplish its goal. The literacy program and forestry law addressed serious problems, but failed to consider the obvious economic incentives created by the programs' structures.

Street mimes teaching seat-belt use are good for a chuckle, but the point is not that governments do silly things from time to time. The point is that good intentions are not enough.

In brief

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Hayek, Strauss, and the Political Waltz

BY JOHN HOOD

Here's a little trivia question for you: name an important innovation of the 1870s that continues to influence our lives today. The innovation occurred in Austria, or more specifically, in Vienna. While it was greeted throughout continental Europe as something new and exciting, a more accurate description would be that it was a new twist on a traditional idea dating back to at least the thirteenth century and having its roots in several European countries. But having been updated and expressed in a unique and artful way in the 1860s and 1870s, this Austrian innovation soon become known throughout the continent, and later in England and the United States. Its influence on subsequent innovators and practitioners has continued to be strong until the present day.

What is the innovation? There are two different answers to that question. One is the Austrian version of the marginal-utility revolution. Carl Menger was one of three economists—the others being fellow continental economist Léon Walras and William Stanley Jevons in England—who more or less independently described the importance of marginalism in explaining the relationship of supply and demand to price and value.

The other answer to my question is the modern-day Viennese waltz. And these two significant innovations offer a number of striking parallels.

Let me briefly trace the history of the waltz. Bear with me, as I think you'll find the parallels illustrative, and the relevance to politics will present itself directly. If one uses the phrase "the forbidden dance," some will immediately think of the tango, that exotic and suggestive child of the Argentine slums (a few may also think of the "lambada," for which they should be deeply ashamed). Actually, though, the waltz can appropriately be called the original "forbidden dance," at least in the Western dance tradition. The name of the dance comes from the German word *waltzen*, which is often used as "to turn." Literally, it meant "to turn forward from one place or to advance by turning," which is an apt description of how waltzing dancers move around the floor.

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Those who are familiar with waltzes, either the dance step or the music, are used to thinking about them as distinctive for their three-quarter time, often called waltz time. But what really made the waltz different and exciting was the turning. With only three beats to the measure, the first two steps formed a rapid turning movement followed by a closing step. Beginning as a folk dance in the German state of Westphalia, waltz-like dances were evident by the 1500s in other parts of the German-speaking world. They included the Volta around 1556, which had the female partner leaping into the air (still a common step in the waltz), and the Weller, a folk dance evident in Austria by the end of the sixteenth century. The Volta was important

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for another reason: it was the first waltzing dance that had the partners in closed position, facing each other and closely touching. For many traditionalists, this was, of course, scandalous.

During the seventeenth century the waltz began to emerge from its peasant origins. Originally, the dance was performed with thick, heavy shoes that made a loud noise. This made some of the acrobatics of waltzing rather dangerous, and there were reports of injuries and even miscarriages. They didn't impede the spread of waltz, however. Court musicians began to dabble with ways to include waltz themes in compositions. These earlier tunes appear to have derived, believe it or not, from yodeling. The first formal waltz song was apparently published in 1670, and by the mid-1700s a more rarefied version of waltz music and dancing had become known in formal society. A popular French form, for example, was called the *allemande* (the French word for German), but it did not have dancers in closed position touching each other at multiple points.

> Johann Strauss Jr. was as much an entrepreneur as he was a genius at musical composition and arrangement.

The waltz may have been increasingly popular with the common people, but it had powerful enemies. For one thing, there was all the touching. Many religious and political leaders saw the waltz as dangerous and lustful, and sought to control its spread. Entire states, such as Swabia and Switzerland, banned the dancing of the waltz, as did the bishops of specific regions, such as Wurzburg and Fulda. Authorities in France and England also restricted it, not only because of its moral turpitude but also because of its Germanic vulgarity. Their efforts amounted to a sort of dance-trade protectionism. Under the surface, there was a little rent-seeking going on as well. The established profession of dance master in the eighteenth century was an honored and lucrative one. Wealthy families were willing to pay handsomely so that their sons and daughters could be trained to perform the subtle, intricate steps of the minuet and other court dances one needed to master to play a role in civilized society, to impress the rulers, and to attract the attention of well-heeled and noble members of the opposite sex.

But the spread of the waltz threatened the dance masters' tidy little enterprise. The basic steps of waltzing could be learned fairly quickly, and there weren't as many separate positions and postures that needed to be memorized to perform it well. It was simple but enjoyable and varied enough for everyone. In short, it was a serious competitive threat to the dance masters' profitable cartel, and they knew it. They encouraged political and religious authorities to maintain a prohibitionist policy.

But efforts to ban the waltz failed. In fact, they backfired by making the dance into a forbidden fruit that young people everywhere just had to try for themselves. Most people in the lower classes simply ignored the bans. The upper classes and nobility, more visible to rulers and clerics, found ways around the bans. Previously, dances had often been held in public buildings. Now nobles began to build their own private ballrooms and invited only guests they knew and trusted. Frustrated by these evasions, the authorities decided to legalize the waltz but regulate it. They issued decrees designed to ensure the physical and moral well-being of waltzers. One public ordinance in Germany required that: 1) "both men and women must be dressed decently for the waltz," 2) "no man might dance in breeches and doublet without a coat," and 3) "women and girls must not be thrown about." Even as late as 1905, a guide book for dancing the waltz told men to "never place your arm around the lady's waist and do not raise your left arm so high that it causes her arm to go around you."

Popularity Continues to Grow

Despite the continued questions of propriety, composers became increasingly interested in the waltz. In 1786 it made its debut in formal musical society in Vienna as part of Vicente Martín y Soler's opera *Una Cosa Rara*. Probably because of the controversy, Mozart evinced a strong attraction to the dance. He included three waltzes played simultaneously in *Don Giovanni* and quoted from *Una Cosa Rara*.

By the early nineteenth century the waltz had become a part of dance and music in most European

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cities and, beginning in the 1830s, in America. Still, there was a sense in which waltzing remained a step below other musical forms in respect and artistry. Within many social circles, it was still associated with simplistic music, lower-class vulgarity, and loose morals.

In 1816 the *Times* of London printed an editorial after a royal ball. The newspaper observed "with pain" the introduction of "the indecent foreign dance called the Waltz" and wrote that "it is quite sufficient to cast one's eyes on the voluptuous intertwining of the limbs and close compressure on the bodies in their dance to see that it is indeed far removed from the modest reserve which has hitherto been considered distinctive of English females. So long as this obscene display was confined to prostitutes and adulteresses, we did not think it deserving of notice; but now that it is attempted to be forced on the respectable classes of society by the civil examples of their superiors [the royal family], we feel it a duty to warn every parent against exposing his daughter to so fatal a contagion."

Johann Strauss Jr.

Yet the waltz marched on. This was quite literally true in France, where the soldiers returning triumphantly from Napoleon's conquests in Austria and Germany firmly established the wide popularity across the country of the waltz they picked up during the campaigns. By the 1830s, the leaping and tramping of the early waltz had begun to give way to a series of smaller, gliding steps that had originated in the Viennese Court. Also, two great Austrian composers, Franz Lanner and Johann Strauss, began to elevate waltzes and other dance music to the status of orchestral works and art songs during the 1820s and 1830s. Strauss toured frequently with his orchestra across Europe and was thus absent from his family in Vienna. An estrangement ensued, particularly with his eldest son, Johann Strauss Jr., whom the father forbade to enter the musical profession. The boy disobeyed him and studied the violin secretly. After his parents divorced, the younger Strauss was free to pursue his chosen profession, sometimes in active rivalry with his father.

Strauss Jr. was as much an entrepreneur as he was a genius at musical composition and arrangement. He founded several different orchestras, some led by his two brothers, to supply entertainment to specific courts and ballrooms. He experienced a bit of a business reversal in 1848 when he sided with the revolutionaries in Vienna while his father and other, older composers supported royal authority. After a time, however, the younger Strauss become known as the "waltz king" for his transformation of the music from a dancehall accompaniment to an internationally recognized art form.

Perhaps his best-known piece, "By the Beautiful Blue Danube," flopped when it debuted in Vienna in 1867. But like any good entrepreneur, Strauss persevered. A subsequent performance at the Paris Napoleon's Fair helped to make "The Blue Danube" a smash hit, as was his 1868 work "Tales from the Vienna Woods." These pieces firmly established the fast-paced but graceful Viennese waltz as a world standard and one of the most familiar forms of classical music to ordinary audiences today. Strauss's compositions also finally broke the back of that centuries-old hostility to the waltz that had persisted among some politicians, clergymen, scholars, and journalists even into the 1860s. Just a year before the debut of "The Blue Danube," for example, an article in the English magazine *Belgravia* explained the sense of "discomposure" that some men still felt in seeing their wives or sisters "seized on by a strange man and subjected to violent embraces and canterings round a small-sized apartment [due to the] introduction of this wicked dance."

Dance and Economics

What does all this have to do with marginalism, Carl Menger, and later Austrian-school scholars such as Ludwig von Mises and F.A. Hayek? I think there are several important relationships. One is the interesting coincidence of place and time. Menger began work on what would become his *Principles of Economics* in Sep-

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tember 1867, just months after the star-crossed debut of "The Blue Danube" in Vienna. The book was eventually published in 1871. Also, Menger spent much of his early career in journalism, writing on business and political economy and helping to found at least one daily newspaper. Strauss, too, spent some of his youth as a reporter, writing about music and the Viennese court. As a journalist by training myself, I find Menger's early writing career intriguing because I see it, and the roles that other Austrians, such as Eugen von Böhm-Bawerk, played in government and political life, as important in explaining why the Austrian school of economics is so well-suited to helping us understand the practicalities of politics.

That may sound a bit strange. After all, Austrian economics has the reputation for being abstract and theoretical, and has not played a central role in guiding public policymaking the way, say, the English neoclassical tradition and Keynesianism did during the twentieth century.

But I think this reputation is undeserved. It has been precisely those economists and scholars purporting to apply scientific principles and complex statistical tools to government who have so badly mucked things up. Meanwhile, the insights of the earlier nineteenth-century Austrians, the great systematizers Mises and Hayek in the early and mid-twentieth century, and subsequent thinkers influenced by them are the ones that really offer practical insights for politicians, political activists, and journalists. One of the things you learn quickly if you spend any time around the political process is that it is messy, haphazard, and complex in ways that are not easy to describe. Political debates and outcomes do not follow a simple pattern, and the search for truth cannot be prosecuted along a straight, clearly demarcated path. Politics is not a series of engineering problems. Every side in a political dispute can cite plausible-sounding statistics that make its case. Every side has a claim to good intentions. And every side probably exaggerates to a large degree whatever effects it claims its policies will have on the direction of the economy or the organization of our economic and social lives.

In 1994 Ronald Heifetz, a professor at Harvard's Kennedy School of Government, released a book titled *Leadership Without Easy Answers*, which helped to popularize within leadership-training circles the distinction between the balcony and the dance floor. Heifetz wrote that many would-be leaders—whether politicians, corporate CEOs, ministers, or others seeking to lead a community small or large—tend to spend most of their time on the dance floor. If you are in the middle of a waltz, trust me: it is hard to see anything other than your partner and those you either narrowly miss or run into. As a participant, or even a ground-level observer, your perceptions are limited. You can be fooled into thinking that everyone is dancing in the same direction, because that's what you see in front of you, or even that everyone is dancing in the first place.

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Heifetz argued that it is important sometimes to leave the dance floor, to find some way to ascend, and to watch the action from the balcony. Only then can you see the full variety of patterns of activity below: the dancers and the bystanders, the leaders and the followers, the clumsy whose stumbles interrupt the flow and the graceful who easily evade the obstacles and help to create new patterns. Only then can you really see the dance—and even that perception is fleeting, because by the time you come down the dance may have changed.

Economics from the Balcony

I see the Austrian analysis of political, economic, and social phenomena as the economic equivalent of getting up into the balcony. It teaches us to look for the spontaneous, undesigned social patterns that emerge from countless individual actions and transactions. Seeing those patterns requires the theory of human action that Austrian economics provides. Without it, human activity is merely random movement.

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And a dance, after all, is an excellent example of spontaneous order. For one thing, as we have seen with the waltz, the specific dance forms that we have today are the result of hundreds of years of experience, evolution, successful experiments, failed experiments, obstructions, prohibitions, and revolutions. The couple who signs up today to learn how to waltz may well recognize "The Blue Danube," but they likely have no idea of the peasant origins of the dance, what the word "waltz" originally meant, or the various cultural elements that went into forming the modern-day dance step they are learning or the music they are listening to. They don't *need* to know these things.

Undesigned Dance

Over time, and despite rather spirited attempts to block the process through government policy and moral suasion, generations of dancers have developed ways of expressing themselves and enjoying the company of others that have persisted because they *work*, because they help ordinary people accomplish their goals and achieve their ends. Yes, there are clear and discernible patterns, at least in formal ballroom dancing. But the artistry and enjoyment come precisely from the dancers' ability to mix and match these patterns in unique and mutually enjoyable ways—there are almost an infinite number of combinations of steps that a couple might dance in the course of a single waltz number—as well as the occasional ability to deviate meaningfully from the established patterns. (Of course, this act is meaningful only if you first master the patterns, just as poetry that relies on deviant punctuation, rhythm, and grammar conveys meaning because of the reader's prior knowledge of the established rules of language.)

I guess what draws me to Hayek is that while he takes us up to the Heifetz balcony, so we can comprehend and appreciate the patterns and subtleties of spontaneous order, he does not leave us there. Hayek returns to the dance. In his work, Hayek sought to explore many practical aspects of the interrelationship of government and economics, of public life and private life. He published important works concerning the structure of government, legal codes, constitutions, social organization, and psychology. These explorations did not always lead him to strictly laissez-faire conclusions, at least in areas such as education and certain kinds of public goods, but they were always compelling and thought-provoking.

Hayek was skeptical and scholarly, peering out over the rail of the balcony with keen perception and humility, but he was also pragmatic and risk-taking, daring to stride out on the dance floor, find a partner, and waltz. Many true experts on Hayek, and I am certainly not one, might say that he changed partners more than a few times and learned (or forgot) many steps. Peter Klein, a professor of economics at the University of Georgia, explained the difference in approaches between Mises and Hayek this way: "While Mises was a rationalist and a utilitarian, Hayek focused on the limits to reason, basing his defense of capitalism on its ability to use limited knowledge and learning by trial and error." Klein went on to describe Hayek's account of spontaneous order and the role of prices in communicating information within the economy:

> Much of the knowledge necessary for running the economic system, Hayek contended, is in the form not of 'scientific' or technical knowledge—the conscious awareness of the rules governing natural and social phenomena—but of [distributed] knowledge, the idiosyncratic, dispersed bits of understanding of circumstances of time and place. This tacit knowledge is often not consciously known even to those who possess it and can never be communicated to a central authority. The market tends to use this tacit knowledge through a type of "discovery procedure" by which this information is unknowingly transmitted throughout the economy as an unintended consequence of individuals' pursuing their own ends.

Put this way, Hayek's view of the social order and the need for government not to blunder in and disrupt the flow of information is strikingly similar to how Heifetz describes the need for leaders to gain perspective and understanding of problems through abstraction. The great challenges of leadership, he says, cannot be solved by technical quick fixes and do not result from a lack of scientific or technical expertise. They are more complex

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problems that require adaptive leadership to address. In a 2002 follow-up book Heifetz wrote with Marty Linsky, *Leadership on the Line*, they put it this way:

> Leaders often need to refrain from immediate action and understand that the stew of conflicting views has to simmer, allowing conflicts to generate new experiments and new creative ideas. The leader's job is to contain conflict—prevent the disequilibrium from going too high and the conflict from getting destructive—and simultaneously to keep people addressing the hard questions without opting for a technical fix, an easy solution, or a decision from on high. In doing so, in holding steady, the leader will be the recipient of considerable frustration and even anger.

Similarly, when free-market analysts urge politicians wielding coercive power to be cautious and skeptical, to look before they leap, and to watch before they waltz, they are often the target of considerable frustration and even anger. As opponents of minimum-wage laws and redistributionist tax policies, they are accused of not caring about the poor. Urging restraint in regulation and a voluntary, private-sector approach to the nurturance of science and technology, they are accused of being uninterested in saving lives, curing disease, or bettering the lives of their fellow men. Casting doubt on the latest economic-development boondoggle—be it a mass-transit system, a sports arena, a convention center, or a government-funded industrial park—they are accused of being naysayers and closed-minded obstructionists.

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But it is Hayek and similar thinkers who have embraced dynamism, change, progress, and optimism. What they teach us is that if the goal is to have diverse, vibrant, enjoyable, and accessible dances, you should not seek to gather all the dance masters in a room and get them to agree on the best kind of dance and the most efficient means of teaching and promoting it. The masters will inevitably substitute their own judgments and interests for those of dancers. They are inevitably a small group, no matter how much expertise they claim to have, and thus will not know or appreciate all the kinds of dancing that people might enjoy or the ways that these various forms might clash, interact, and combine into something magical and new. They may be masters of dance, but they are not composers or musical performers or dressmakers or party planners or ballroom architects, and so they will not comprehend how their plans and choices might constrain those of others involved in producing that good called a "dance."

Innovation is not necessarily invention. Menger did not invent marginal utility in the 1860s. Human beings had assessed the value of things at the margin for many millennia, and some had even somewhat roughly and clumsily described how this process worked centuries before. What Menger did was find an effective way to model and communicate marginalism so that it could be broadly understood and appreciated. Johann Strauss did not invent the waltz, or even the Viennese waltz. But he did develop a particularly appealing and powerful rendition of the art, in his "Blue Danube" and "Tales of the Vienna Woods," that served to elevate the waltz to an international orchestral standard.

And neither Hayek nor other free-market analysts of the past century invented the notion of government being best when it governs least. But they did provide us with persuasive arguments, cogent reasoning, and compelling analogies. To the latter, we might add this exhortation to those wielding political power: stop spending all your time on the dance floor and join us up here on the balcony. You might just learn something.

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Separate State and Science

BY SHELDON RICHMAN

I don't read much fiction these days, but one novel I intend to read is *State of Fear*, Michael Crichton's story of how environmentalists use allegedly man-made catastrophic global warming to control the population. Anyone who has the power to cause such hysteria among the Kyoto Protocol set must be doing something right. (Bjørn Lomborg is another.) I have Crichton's book in hand, but my schedule doesn't permit me to dive in quite yet. However, I was informed that at the back of the book there is an appendix with this grabber of a title: "Why Politicized Science Is Dangerous." This is a topic dear to my heart, so I read it.

Science, let us stipulate at the outset, has been of inestimable value to the human race. Because of science we live longer and healthier lives (to the dismay of the Social Security bureaucrats); we have devices that make life easier, more pleasant, and more fun: think of our reliable automobiles, small computers, PDAs, cell phones, portable DVD players, and iPods (the latest thing I can't live without); we have inexpensive ways to keep in touch with distant loved ones. All of us quickly take for granted revolutionary inventions that would have astounded our grandparents and in some cases even our parents.

But science, like anything else, can be twisted into something inimical to human welfare. I see two threats. One comes from scientism. This is the use of the procedures of the physical sciences in the study of human action, especially economics. When human beings are looked on as objects rather than persons, trouble brews. Properly conceived, science gives us life-serving control over our physical environment. Improperly conceived, it emboldens social engineers to control *us*. Beware those who view the economy as a machine. Statistical aggregates and simultaneous equations conceal flesh-and-blood individuals with preferences, values, and aspirations. Social engineering would meet with more skepticism if this were kept in mind.

The other threat is the subject of Crichton's appendix: the politicization of science, or the union of scientific research and state. By now, of course, government has tainted much of science, especially medicine and climatology. There is no neutral government funding of research. Every benefit is a tether. Each grant creates a desire for future grants, which means the findings had better not offend the grant-making agency, which always has an agenda.

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Crichton, who has anthropology and medical degrees from Harvard, begins his brief essay by looking back at two notorious cases of politicized science: eugenics and Lysenkoism. In both cases a preconceived "public policy" objective drove and therefore corrupted the "science." What occurred had the appearance of science (unless one looked carefully), but in fact bore no relation to actual scientific activity. Essential terms weren't even defined, so most of what was said was meaningless, except for its power to further the objective.

As Crichton points out, in the early twentieth century eugenics was presented as a scientific answer to a purported crisis—the enfeebling of the human race: "The best human beings were not breeding as rapidly as the inferior ones—the foreigners, immigrants, Jews, degenerates, the unfit, and the 'feeble minded.' " What was the answer? In the United States, it was compulsory sterilization; in Germany, it included extermination by gas. Yet eugenics was the vogue among "progressives." Prestigious foundations—Carnegie, Rockefeller—poured money into it. Prominent figures were eager to associate

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themselves with the movement, including Theodore Roosevelt, Woodrow Wilson, Winston Churchill, Alexander Graham Bell, Luther Burbank, Leland Stanford, H. G. Wells, George Bernard Shaw, and Margaret Sanger (founder of what became known as Planned Parenthood). The first president of the American Eugenics Society was the well-known Yale University economist Irving Fisher. As Crichton notes, after the Nazis gave eugenics a bad name, biographers neglected to mention their subjects' former enthusiasm for the cause.

Regarding the scientific status of eugenics, Crichton writes, "But in retrospect, three points stand out. First . . . there was no scientific basis for eugenics. In fact, nobody at the time knew what a gene really was. The movement was able to proceed because it employed vague terms never rigorously defined. . . . Second, the eugenics movement was really a social program masquerading as a scientific one. What drove it was concern about immigration and racism and undesirable people moving into one's neighborhood or country. . . . Third, and most distressing, the scientific establishment in both the United States and Germany did not mount any sustained protest. Quite the contrary. In Germany scientists quickly fell into line with the program."

In the second case, the Russian peasant T. D. Lysenko's claim that he had discovered how to make crops grow better by treating seeds and thereby altering offspring seeds had no scientific foundation whatsoever, but it fit with the anti-genetic prejudices of Josef Stalin. "Lysenko was portrayed as a genius, and he milked his celebrity for all it was worth," Crichton writes. He eventually joined the Supreme Soviet. "By then, Lysenko and his theories dominated Russian biology. The result was famines that killed millions, and purges than sent hundreds of dissenting Soviet scientists to the gulags or the firing squads."

Politicized science ruins and destroys lives.

The Banning of DDT

In a speech to the Commonwealth Club in San Francisco in 2003, Crichton provided another lesson in the lethality of politicized science: the ban of the insecticide DDT. In the early 1960s Rachel Carson's book *Silent Spring* set off a movement to rid the world of the insecticide. As a result, the long and promising effort to defeat the scourge of mosquito-carried malaria in the developing world was reversed and the deadly disease made a tragic comeback.

In his brief discussion of this episode, Crichton pulled no punches:

> I can tell you that DDT is not a carcinogen and did not cause birds to die and should never have been banned. I can tell you that the people who banned it knew that it wasn't carcinogenic and banned it anyway. I can tell you that the DDT ban has caused the deaths of tens of millions of poor people, mostly children, whose deaths are directly attributable to a callous, technologically advanced western society that promoted the new cause of environmentalism by pushing a fantasy about a pesticide, and thus irrevocably harmed the third world. Banning DDT is one of the most disgraceful episodes in the twentieth century history of America. We knew better, and we did it anyway, and we let people around the world die and didn't give a damn.

Crichton's speech covers much more than this, and I commend it highly. (It is online at the PERC website, www.perc.org/publications/articles/Crichtonspeech.php.)

In the *State of Fear* appendix, Crichton emphasizes that he is not claiming that the global-warming scare is exactly like the fear-mongering about the supposed threat to the human gene pool. "But the similarities are not superficial," he writes. "And I do claim that open and frank discussion of the data, and of the issues, is being suppressed. Leading scientific journals have taken strong editorial positions on the side of global warming, which, I argue, they have no business doing. Under the circumstances, any scientist who has doubts understands clearly that they will be wise to mute their expression."

That kind of atmosphere is the death knell of genuine science and the benefits it is capable of producing. The lives and liberty of everyone are in jeopardy. "[T]he intermixing of science and politics is a bad combination, with a bad history," Crichton concludes. "We must remember the history, and be certain that what we present to the world as knowledge is disinterested and honest."

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Does Light Rail Worsen Congestion and Air Quality?

BY JOHN SEMMENS

Growth in traffic has outpaced growth in population ever since the automobile went into mass production. This puts great demands on our transportation infrastructure. Trying to keep up with growing traffic by building more roadway capacity is a daunting task, particularly in urban regions. There are limits to how many lanes of roadway can be crammed into cities. The results are increased traffic congestion and potentially higher levels of air pollution in urban regions.

Advocates of government subsidies for public transit assert that this should help mitigate urban traffic congestion by replacing many automobile trips with a smaller number of high-occupancy-vehicle trips. In terms of carrying capacity, a bus can serve 15 times as many person-miles per vehicle-mile as a typical automobile. A light-rail train has a carrying capacity about 100 times larger. The prospect of reducing urban traffic congestion by luring would-be automobile drivers onto public transit is thus tantalizing.

For a long time the assumption has been that offering more public transit service options would reduce traffic congestion. But despite the more than $300 billion in taxpayer money spent to expand the quantity and quality of public transit over the last four decades, its share of travel has declined. While the number of transit passenger-miles has risen slightly over this period, its share of urban travel has decreased (table 1).

In the last two decades, more and more cities have turned to light rail as a prospective savior in the battle against urban traffic congestion. A light-rail train in a three-car configuration can carry about six-to-seven times as many passengers as a standard bus. Light-rail tracks can also be built at-grade in city streets. This is considerably less costly than either an elevated or subway alignment. The high capacity compared to a bus and low cost compared to a subway or elevated track has great appeal to urban planners.

Table 1: Transit's Share of Urban Travel

Year	Transit Passenger-Miles (in billions)	Automobile Vehicle-Miles (in billions)	Transit Share
1960	46	309	13%
1965	38	420	8%
1970	34	545	6%
1975	34	691	5%
1980	40	813	5%
1985	40	995	4%
1990	41	1,217	3%
1995	40	1,409	3%
2000	47	1,570	3%
2001	49	1,582	3%

Sources: *Public Transportation Fact Book* (American Public Transit Association, various years) and *Highway Statistics* (Federal Highway Administration, various years).

For light rail to reduce traffic congestion, though, the number of persons it diverts from driving must exceed the drawbacks of in-street alignment. When light-rail tracks are built in the street, they occupy space that could have been used by motor vehicles. The loss of two lanes of roadway for motor-vehicle travel (three where stations are located) squeezes the remaining traffic into a narrower facility. In addition, light-rail trains are typically granted the authority to preempt traffic signals.

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This further impedes the flow of motor vehicles.

The question of which effect is larger—the traffic-reduction impact of diverting drivers from their cars or the traffic-impeding impact of locating light-rail lines in city streets—has been addressed in a report by Valley Metro in Arizona.[1] Among other things, the report attempts to project the traffic and air quality in 2020 with and without a 20-mile minimum-operating segment of light rail.

Traffic congestion results when too many vehicles try to use the same roadway at the same time. Vehicles impede each other and slow down the movement of traffic. If enough of those who would otherwise drive could be induced to switch to public transit, the number of vehicles trying to use the roadway would be decreased. This could reduce traffic congestion if the number of diverted automobile trips is larger than any negative consequence caused by public-transit vehicles' larger size and slower speeds.

The prospect of carrying up to 500 persons at once in a three-car light-rail train is the transit bureaucrats' plan for reducing automobile trips. Of course, not all 500 light-rail passengers on a given train are diverted from driving an automobile. Some will be diverted bus riders. Others will be taking newly generated trips. So the gain in reduced automobile trips is not as large as the total passenger ridership. Nevertheless, adding light rail is bound to reduce the number of trips made in privately owned automobiles.

As noted, however, adding light rail in an in-street alignment will unavoidably reduce the carrying capacity of the roadway. Typically, two lanes that previously would have been accessible to motor vehicles are taken up by light-rail tracks. Unlike the temporary use of the roadway represented by bus transit (once a bus passes, the lanes are again available to other motor vehicles), light rail often permanently removes access to these lanes. Motor vehicles may be permitted to drive over light rail tracks only at a limited number of designated crossings.

The question is whether the reduced capacity is more than offset by the reduced number of automobile trips or whether the reverse is the case. In an effort to answer this question, the Phoenix region's urban planning agency, the Maricopa Association of Governments (MAG), ran its "Travel Demand Model" comparing the traffic impacts for conditions without light rail ("no build" option) and with 20 miles of newly added light rail ("build" option) for the year 2020. The results are in table 2.

Table 2: Impact on Daily Traffic

	No Build	Build	Impact
Region			
VMT	108.26M	108.21M	-0.04%
VHT	4.83M	4.85M	+0.45%
Speeds	22.4 mph	22.3 mph	-0.1 mph
Corridor			
VMT	18.28M	18.25M	-0.13%
VHT	1.02M	1.03M	+1.23%
Speeds	17.9 mph	17.7 mph	-0.2 mph

Source: This is a composite of tables S-8 & S-9 in the *Central Phoenix/East Valley Light Rail Project: Final Environmental Impact Statement* (Valley Metro)

M = million; VMT = vehicle-miles of travel; VHT = vehicle-hours of travel

The most outstanding feature of the data is the extraordinarily small difference between the "build" and "no build" alternatives. With one exception, all the impacts are in fractions of 1 percent. The exception is an impact slightly higher than 1 percent. It is clear that adding light rail will not be a significant factor in addressing traffic congestion in the region.

According to the MAG model, light rail is expected to reduce vehicle-miles of travel (VMT) in the region by 0.04 percent. This is the equivalent of taking one car in 2,500 out of the stream of traffic. The results projected for the corridor to be served by light rail are somewhat larger. Corridor VMT is expected to be reduced by 0.13 percent. This is the equivalent of taking one car in 750 out of the traffic stream. These percentage reductions in traffic resulting from adding light rail are dwarfed by the region's projected annual 3 percent growth in VMT. If eventual gridlock is the fate to be averted, light rail's impact on VMT would delay impending gridlock by about two weeks.

The reduction of VMT is normally expected to reduce delays for the remaining motor vehicles. However, since the roadway capacity is reduced by two lanes,

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the smaller VMT might be offset. The MAG model's projected vehicle-hours of travel (VHT) indicate that the loss of capacity is a larger factor than the diversion of drivers from their cars. For the region, the addition of light rail is expected to increase VHT by 0.45 percent. For the corridor served by light rail, VHT are expected to increase by 1.23 percent. So even though fewer miles would be traveled, those trips would take longer if light rail is added to the traffic mix.

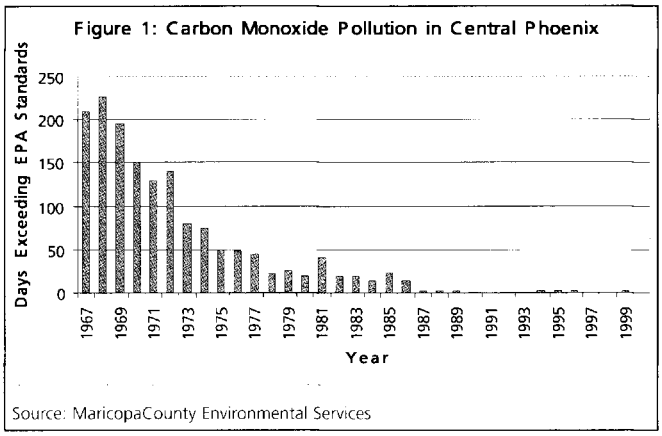
The expected increase in congestion from adding light rail is further illustrated by projected motor vehicle speeds. Under the "no build" option, speeds in the region are projected to average 22.4 miles per hour (MPH) by 2020. Under the "build" option, speeds are projected to average 22.3 MPH. Figures for the corridor to be served by light rail are similar. Under the "no build" option, speeds are projected to average 17.9 MPH. Under the "build" option, speeds are expected to average 17.7 MPH.

The effects are small, but the notion that building a light-rail track in the street will reduce future traffic congestion is confounded by these data.

Air Pollution

Although it may not be widely known, urban air quality has been improving over the last few decades despite a dramatic increase in VMT. Taking carbon monoxide as an example, in Phoenix, violations of the Environmental Protection Agency standards used to be common everyday events. Now violations are rare. (figure 1.)

These gains were attained at a time when public transit never carried as much as 1 percent of the person-miles of travel in the region. Consequently, the bulk of the credit for any improvements in air quality must go to advances in automobiles and the fuels they use. Compared to automobiles built in the 1960s, cars today emit 97 percent less carbon monoxide.[2] With fleet turnover and existing employed technology, urban air quality should continue to improve despite an expected increase in vehicle-miles of travel. This, in fact, is what is projected in the Valley Metro environmental impact statement. According to that statement, regardless of whether light rail is built, future pollution levels are expected to decline. In Phoenix, air pollution is measured at a number of so-called "hot spots." For the "build" option, pollution is expected to be lower at three sites and higher at eight sites than under the "no build" option. Overall, carbon-monoxide pollution is expected to be slightly higher under the "build" option.



Expectations for higher pollution as a result of adding light rail are confirmed by the statement's acknowledgment that carbon-monoxide levels will increase, but not by enough to trigger any violations of EPA standards.[3] This conclusion is consistent with the data showing projected increases in VHT if light rail is built.

Inasmuch as light-rail transit is often promoted as a means of improving air quality, the indication that it will actually increase pollution may strike many as counter-intuitive. After all, aren't we luring some people out of their cars? Don't fewer cars mean less pollution? So far as it goes, the answer is yes. However, by placing the train tracks in the street, we reduce roadway capacity. The reduction in capacity more than offsets the reduction in numbers of vehicles using the roadway. The remaining vehicles take longer to travel through the narrower roadway. This leads to more fuel consumed and higher pollution.

Again, the effects are small, but the notion that building a light-rail track in the street will reduce air pollution, again, is confounded by these data.

Congestion Concerns

Concerns about the growth of motor-vehicle traffic and its impacts on air quality are warranted. We can't expect to keep adding vehicles to an existing road network without severe reductions in travel speeds. Solutions to the demand for more mobility in the face

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of this growing crush of traffic are sorely needed.

Solutions, though, must be sensible options that do more good than harm. Given the data for the Phoenix case study, it would appear that one frequently suggested solution—adding light rail—is counterproductive. At best, the likely impacts would be minimal, leaving the problem of traffic congestion virtually untouched. Worse, though, is the prospect that adding in-street light rail will actually make traffic more congested than it would otherwise be.

Granted, Phoenix is only one city. Results might differ in other cities. However, given the relatively poor drawing power of public transit combined with the unavoidable loss of roadway capacity from in-street alignments, it seems probable that similar outcomes would be common in other cities.

The billions "invested" in money-losing light-rail systems have not made a significant contribution toward reducing traffic congestion or air pollution. Tax dollars have been wasted. We need more promising options—like opening markets to independent bus, jitney, and taxi operators.

In the last two decades, more and more cities have turned to light rail as a prospective savior in the battle against urban traffic congestion.

1. "Central Phoenix/East Valley Light Rail Project: Final Environmental Impact Statement and Section 4(f) Evaluation," Valley Metro, November 2002, www.valleymetro.org.
2. Joseph Bast, et al., *Eco-Sanity* (Lanham, Md.: Madison Books, 1994), p. 13.
3. "Central Phoenix/East Valley Light Rail Project," pp. 4–49.

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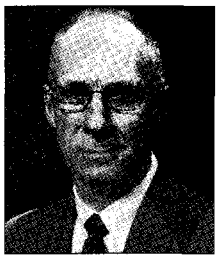
The Republic of West Florida: Freedom Fight or Land Grab?



BY ROBERT HIGGS

Probably not one American in a hundred knows anything about the short-lived Republic of West Florida (1810). At first glance it might seem to have sprung from a worthy fight for self-government and independence from Spain. On closer inspection, however, this venture, born of low-level filibuster and high-level intrigue, illustrates the same ingrained American propensity for land-grabbing so evident in other U.S. acquisitions of territory.[1]

After the Louisiana Purchase, the United States and Spain disputed whether that transaction included West Florida, a strip extending east from the Mississippi River and along the Gulf Coast to the Perdido River. Spain continued to rule the area. During the first decade of the nineteenth century, however, many Americans moved there, and some of them obviously pined for its annexation by the United States.

From 1804 to 1810 the Kemper brothers—Nathan, Reuben, and Samuel—engaged in episodic attempts to expel the Spanish from West Florida, actively seeking to engage other Americans in their filibuster. In 1804 the so-called Kemper Rebellion failed, in part, because "its leaders miscalculated the strength of pro-French, pro-British, and pro-Spanish elements, all of whom felt threatened by the pro-American faction the Kempers represented."[2] It also failed because many residents recognized that the Kempers and their gang were not so much revolutionaries as opportunistic and unscrupulous marauders mouthing political slogans.[3]

President Thomas Jefferson shared these adventurers' ardent desire to incorporate the Gulf Coast into the United States.[4] In 1804, at his urging, Congress passed the Mobile Act, seeking to solidify the claim that the Louisiana Purchase included West Florida. But Spain's minister to the United States protested, and rather than risk war with Spain, Jefferson chose to bide his time, anticipating that increases in the number of American residents in the province would eventually tilt the balance of forces there in favor of the United States.[5]

James Madison, too, longed to incorporate the Gulf Coast into the United States. After he became president in 1809 he "had an eye on Florida, where some land-greedy Americans were willing to overthrow Spanish rule, then make a deal that would bring West Florida into the union."[6]

In 1808 the simmering equilibrium was disturbed when Napoleon Bonaparte placed his brother Joseph on the Spanish throne. In the far western portion of West Florida, on the plantations near Baton Rouge, the planters, fearful of French intervention and eager to increase the value, extent, and security of their land holdings, "concluded that the time had come to exchange the peaceful somnolence of Spanish rule for democracy."[7] From June to September 1810 many secret meetings and three openly held conventions took place in that district. Out of those meetings grew the West Florida Rebellion.

On September 23 an armed group led by Philemon Thomas attacked and captured the Spanish garrison at Baton Rouge. Three days later the leading revolutionaries signed a declaration of independence, then delivered it to Governor David Holmes of Mississippi Territory and Governor William C. C. Claiborne of Orleans Territory along with a request for annexation by the United States and protection from Spanish counterattacks. In late October the revolutionaries adopted a constitution modeled on the U.S. Constitution. Plans were made to take Mobile and Pensacola from the Spaniards—naturally, Reuben Kemper figured prominently in this scheme—and thus to incorporate the eastern part of the Spanish province into the newborn Republic of West Florida.[8]

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These events, historians say, placed President Madison "in a quandary."[9]

> He wanted to annex Baton Rouge immediately but knew that he could not use military forces for such a venture without congressional approval, and that body would not meet until early December 1810. Moreover, military occupation of Spanish territory would incur the wrath of not only Spain but perhaps even England and France. Yet Madison feared that if the government did not aid West Florida, there would "be danger of its passing into the hands of a third and dangerous party." Britain, the president had written to Jefferson, had a "propensity to fish in troubled waters," and Madison realized that the moment would be lost should the United States not cast her line.[10]

Though troubled by "constitutional qualms,"[11] Madison was no more inclined to let such qualms divert him from grasping an attractive geopolitical prize than his predecessor Jefferson had been when he bought Louisiana from Napoleon. Unwilling to let the opportunity pass unexploited, the President resorted to the oldest justification in the political book: he acted, even without clear legislative or constitutional authority, on the grounds that "a *crisis* has at length arrived subversive of the order of things under the Spanish authorities."[12]

Flag Raised

On October 27 Madison issued a proclamation directing the governor of Orleans Territory to take possession of West Florida, and Governor Claiborne, with valuable assistance from Governor Holmes, proceeded to carry out the President's orders. On December 10 U.S. authorities raised the stars and stripes over Baton Rouge, and the free and independent Republic of West Florida—alternatively known as "a lusty Tom Thumb Republic," "the stout little republic," a "half-baked republic," and "simply a mock government used by the Americans to cloak their aggression"—passed into history just 74 days after it had come into existence.[13]

"The American occupation of West Florida," observes Madison's biographer Robert Rutland, "added no glory to the stars and stripes."[14] Critics quickly came forth to criticize the President for acting without proper authority and for supplanting the jurisdiction of the Spanish, friends who had done nothing to deserve such aggression.[15] At Mobile the Spanish garrison refused to evacuate until compelled to do so by a well-conducted U.S. naval and military operation in 1813.[16] Not until ratification of the Adams-Onís Treaty in 1821 did Spain formally relinquish all claims to Florida—East as well as West—once and for all.

The rise and fall of the Republic of West Florida presents us with few genuine heroes. Of those who took action at the scene, all the leaders—with the possible exception of Fulwar Skipwith—seem to have been land-grabbers, adventurers, or job-seekers. At the upper reaches of the affair, Madison seems merely to have engaged in the sort of unprincipled geopolitical maneuvering that one expects from a "statesman" seeking to augment national wealth and power. His actions in regard to the Republic of West Florida wrote a sorry chapter in the life of someone better remembered as a man of high principle and as the Father of the U.S. Constitution.

1. For a splendidly detailed and documented account of the entire affair, see Isaac Joslin Cox, *The West Florida Controversy, 1798–1818: A Study in American Diplomacy* (Baltimore: Johns Hopkins Press, 1918).
2. Samuel C. Hyde, Jr., *Pistols and Politics: The Dilemma of Democracy in Louisiana's Florida Parishes, 1810–1899* (Baton Rouge: Louisiana State University Press, 1996), p. 20.
3. Andrew McMichael, "The Kemper 'Rebellion': Filibustering and Resident Anglo American Loyalty in Spanish West Florida," *Louisiana History*, Spring 2002, p. 159.
4. Cox, passim; Robert Allen Rutland, *James Madison: The Founding Father* (New York: Macmillan, 1987), p. 215.
5. Gene A. Smith, " 'Our flag was display'd within their works': The Treaty of Ghent and the Conquest of Mobile," *Alabama Review*, January 1999, pp. 5–6.
6. Rutland, p. 213.
7. Henry Eugene Sterkx and Brooks Thompson, "Philemon Thomas and the West Florida Revolution," *Florida Historical Quarterly*, April 1961, p. 379.
8. Ibid., pp. 382–85.
9. Cox, p. 488; Smith, p. 7, uses the identical phrase without attribution.
10. Smith, p. 7.
11. "Constitutional qualms" from Rutland, p. 215.
12. *American State Papers, Foreign Relations*, III, pp. 397–98.
13. Stanley Clisby Arthur, *The Story of the West Florida Rebellion* (St. Francisville, La.: St. Francisville Democrat, 1935), pp. 24 and 140, for the first and second appellations; Rutland, p. 215, for the third; Cox, p. 551, paraphrasing British diplomat J. P. Morier, for the fourth.
14. Rutland, p. 215.
15. Cox, pp. 538–43.
16. Smith, pp. 13–16.

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Freedom and Majority Rule

BY EDMUND A. OPITZ

The publisher of the London *Times* came to this country a few years after World War I. A banquet in his honor was held in New York City, and at the appropriate time Lord Northcliffe rose to his feet to propose a toast. Prohibition was in effect, you will recall, and the beverage customarily drunk by Northcliffe in his homeland was not available here. So Northcliffe raised his glass of water and said: "Here's to America, where you do as you please. And if you don't, they make you!"

Here, in this land of the free, "we" as voters had amended the Constitution to punish conduct which "we"—as consumers—had been enjoying. If you point out that the Eighteenth Amendment had been inserted into the Constitution by majority vote, and that therefore "we" had done it to "ourselves," you need to be reminded that the "we" who did it were not the same people as the "ourselves" to whom it was done!

The Eighteenth Amendment was annulled in 1933. Shortly thereafter another prohibition law was passed, this one a prohibition against owning gold. Under the earlier dispensation you could walk down the street with a pocketful of gold coins without breaking the law; but if you were caught carrying a bottle of whiskey you might be arrested.

Then the rules were changed, and you could carry all the whiskey you wanted, but if you had any gold in your pocket you could be thrown in jail!

Our scientists are exploring outer space looking for intelligent life on other planets. I hope they find some, because there's none to spare on planet earth! With how little wisdom do we organize our lives, especially in the areas of government and the economy!

The fundamental issue in political philosophy is the limitation of governmental power; it is to determine the role of law, the functions appropriate to the political agency. The basic question may be phrased in a variety of ways: What things belong in the public domain? and What things are private? What tasks should be assigned to Washington or some lesser governmental agency, and in what sectors of life should people be free to pursue their own goals? When should legal coercion be used to force a person to do something against his will? In view of government's nature, what is its competence? What are the criteria which enable us to distinguish a just law from an unjust law?

These are questions we cannot avoid. It is true that we don't have to debate them, or even think about them; but we cannot help acting on them. Some theory about government is the hidden premise of all political action, and we'll improve our action only as we refine our theory.

What Functions Are Appropriate?

In the light of government's nature, what functions may we appropriately assign to it? This is the question, and there are two ways to approach it. The approach favored today is to count noses—find out what a majority of the people want from government, and then elect politicians who will give it to them! And believe me, they've been giving it to us! The party that wins an election is "swept into office on a ground swell of public opinion," as popular mythology has it; and of course the winners have "a mandate from the people." That's spelled Peepul.

The Rev. Edmund Opitz, who now lives in Massachusetts, was a longtime member of FEE's staff and board of trustees. He is the author of Religion and Capitalism: Allies, Not Enemies *and other works. This article is reprinted from the January 1977 issue of* The Freeman.

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I do not accept this approach to political philosophy, and will offer some reasons for rejecting it. Neither did our forebears accept this approach. Every political thinker in the West from Plato down to modern times has taken a different tack. Now the mere fact that something is enshrined by tradition is no reason for accepting it; we accept something because we believe it to be true. But anything which is both tried and true has a lot going for it. Let me try to sketch briefly the way our forebears went about the intellectual and moral problem of trying to figure out what government should do, and how we determine whether or not a law is just.

The backbone of any legal system is a set of prohibitions. The law forbids certain actions and punishes those who do them anyway. The solid core of any legal system, therefore, is the moral code, which, in our culture is conveyed to us by the Mosaic Law. The Sixth Commandment of The Decalogue says: "Thou shalt not commit murder," and this moral imperative is built into every statute which prescribes punishment for homicide. The Eighth Commandment forbids stealing, and this moral norm gives rise to laws punishing theft. There is a moral law against murder because each human life is precious; and there is a moral law against theft because rightful property is an extension of the person. "A possession," Aristotle writes, "is an instrument for maintaining life." Deprive a person of the right to own property and he becomes something less than a person; he becomes someone else's man. A man to whom we deny the rights of ownership must be owned by someone else; he becomes another man's creature—a slave. The master-slave relation is a violation of the rightful order of things, that is, a violation of individual liberty and voluntary association.

> The fundamental issue in political philosophy is the limitation of governmental power; it is to determine the role of law, the functions appropriate to the political agency.

The Gift of Life

Each human being has the gift of life and is charged with the responsibility of bringing his life to completion. He is also a steward of the earth's scarce resources, which he must use wisely and economically. Man is a responsible being, but no person can be held responsible for the way he lives his life and conserves his property unless he is free. Liberty, therefore, is a necessary corollary to Life and Property. Our forebears regarded Life, Liberty, and Property as natural rights, and the importance of these basic rights was stressed again and again in the oratory, the preaching, and the writings of the Eighteenth Century. "Life, Liberty and Property are the gifts of the Creator," declared the Reverend Daniel Shute in 1767 from the pulpit which I occupied some 200 years later. Life, Liberty, and Property are the ideas of more than antiquarian interest; they are potent ideas because they transcribe into words an important aspect of the way things are.

Our ancestors intended to ground their legal and moral codes on the nature of things, just as students of the natural sciences intend their laws to be a transcription of the way things behave. For example: physical bodies throughout the universe attract each other, increasing with the mass of the attracting body and diminishing with the square of the distance. Sir Isaac Newton made some observations along these lines and gave us the law of gravity. How come gravitational attraction varies as the inverse-square of the distance, and not as the inverse-cube? One is as thinkable as the other, but it just happens that the universe is prejudiced in favor of the inverse-square in this instance; just as the universe is prejudiced against murder, has a strong bias in favor of property, and wills men to be free.

Immanuel Kant echoed an ancient sentiment when he declared that two things filled him with awe; the starry heavens without and the moral law within. The precision and order in nature manifest the Author of nature. The Creator is also the Author of our being and requires certain duties of us, his creatures. There is, thus, an outer reality joined to the reality within, and this twofold reality has an intelligible pattern, a coherent structure.

This dual arrangement is not made by human hands; it's unchangeable, it's not affected by our wishes, and it can't be tampered with. It can, however, be misinter-

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preted, and it can be disobeyed. We consult certain portions of this pattern and draw up blueprints for building a bridge. If we misinterpret, the bridge collapses. And a society disintegrates if its members disobey the configuration laid down in the nature of things for our guidance. This configuration is the moral order, as interpreted by reason and tradition.

We're in fairly deep water here, and this is as far into theology as I shall venture. The point, simply put, is that our forebears, when they wanted to get some clues for the regulating of their private and public lives, sought for answers in a reality beyond society. They believed in a sacred order which transcends the world, an order of creation, and believed that our duties within society reflect the mandates of this divine order.

Take a Poll

This view of one's duty is quite in contrast to the method currently popular for determining what we should do, which is to conduct an opinion poll. Find out what the crowd wants, and then say, "Me too!" This is what the advice of certain political scientists boils down to. Here is Professor James MacGregor Burns, a certified liberal and the author of several highly touted books, such as *The Deadlock of Democracy* and a biography of John F. Kennedy. Liberals play what Burns calls "the numbers game." "As a liberal I believe in majority rule," he writes. "I believe that the great decisions should be made by numbers." In other words, don't think; count! "What does a majority have a right to do?" he asks. And he answers his own question. "A majority has the right to do anything in the economic and social arena that is relevant to our national problems and national purposes." And then, realizing the enormity of what he has just said, he backs off: ". . . except to change the basic rules of the game."

Burns's final disclaimer sounds much like an afterthought, for some of his liberal cohorts support the idea of unqualified majority rule. The late Herman Finer, in his anti-Hayek book entitled *Road to Reaction*, declares, "For in a democracy, right is what the majority makes it to be" (p. 60). What we have here is an updating of the ancient "might makes right" doctrine. The majority does have more muscle than the minority, it has the power to carry out its will, and thus it is entitled to have its own way. If right is whatever the majority says it is, then whatever the majority does is O.K., by definition. Farewell, then, to individual rights, and farewell to the rights of the minorities; the majority is the group that has made it to the top, and the name of the game is winner take all.

The dictionary definition of a majority is 50 percent plus 1. But if you were to draw up an equation to diagram modern majoritarianism it would read:

50% + 1 = 100%; 50% - 1 = ZERO!

Amusing confirmation comes from a professor at Rutgers University, writing a letter to the *Times*. Several years ago considerable criticism was generated by the appointment of a certain man to a position in the national government. Such criticism is unwarranted, writes our political scientist, because the critics comprise "a public which, by virtue of having lost the last election, has no business approving or disapproving appointments by those who won." This is a modern version of the old adage, "To the victor belong the spoils." This Rutgers professor goes on to say, "Contrary to President Lincoln's famous but misleading phrase, ours is not a government by the people, but government by government." So there!

The Nature of Government

What functions may we appropriately assign to the political agency? What should government do? Today's answer is that government should do whatever a majority wants a government to do; find out what the Peepul want from government, and then give it to them. The older and truer answer is based upon the belief that the rules for living together in society may be discovered if we think hard and clearly about the matter, and the corollary that we can conform our lives to these rules if we resolve to do so. But I have said nothing so far about the nature or essence of government.

Americans are justly proud of our nation, but this pride sometimes blinds us to reality. How often have you heard someone declare, "In America, we are the government"? This assertion is demonstrably untrue; "We" are the society, all 215 million of us; but society and government are not at all the same entity. Society is all-of-us, whereas government is only some-of-us. The

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some-of-us who comprise government would begin with the President, Vice-President, and Cabinet; it would include Congress and the bureaucracy; it would descend through governors, mayors, and lesser officials, down to sheriffs and the cop on the beat.

Government is unique among the institutions of society, in that society has bestowed upon this one agency exclusive legal control over the weaponry, from clubs to hydrogen bombs. Governments do use persuasion, and they do rely on authority, legitimacy, and tradition—but so do other institutions like the Church and the School. But only one agency has the power to tax, the authority to operate the system of courts and jails, and a warrant for mobilizing the machinery for making war; that is government, the power structure. Governmental action is what it is, no matter what sanction might be offered to justify what it does. Government always acts with power; in the last resort government uses force to back up its decrees.

> Man is a responsible being, but no person can be held responsible for the way he lives his life and conserves his property unless he is free. Liberty, therefore, is a necessary corollary to Life and Property.

Society's Power Structure

When I remind you that the government of a society is that society's power structure, I am not offering you a novel theory, nor a fanciful political notion of my own. It is a truism that government is society's legal agency of compulsion. Virtually every statesman and every political scientist—whether Left or Right—takes this for granted and does his theorizing from this as a base. "Government is not reason, it is not eloquence," wrote George Washington, "it is force." Bertrand Russell, in a 1916 book, said, "The essence of the State is that it is the repository of the collective force of its citizens." Ten years later, the Columbia University professor R. M. MacIver spoke of the state as "the authority which alone has compulsive power." The English writer Alfred Cobban says that "the essence of the state, and of all political organizations, is power."

But why labor the obvious except for the fact that so many of our contemporaries—those who say "we are the government"—overlook it? What we are talking about is the power of man over man; government is the legal authorization which permits some men to use force on others. When we advocate a law to accomplish a certain goal, we advertise our inability to persuade people to act in the manner we recommend; so we're going to force them to conform! As Sargent Shriver once put it, "In a democracy you don't compel people to do something unless you are sure they won't do it."

In the liberal mythology of this century, government is all things to all men. Liberals think that government assumes whatever characteristics people wish upon it—like Proteus in Greek mythology who took on one shape after another, depending on the circumstances. But government is not an all-purpose tool; it has a specific nature, and its nature determines what government can accomplish. When properly limited, government serves a social end no other agency can achieve; its use of force is constructive. The alternatives here are law and tyranny—as the Greeks put it. This is how the playwright Aeschylus saw it in *The Eumenides*: "Let no man live uncurbed by law, nor curbed by tyranny."

The Moral Code

If government is to serve a moral end it must not violate the moral code. The moral code tells us that human life is sacred, that liberty is precious, and that ownership of property is good. And by the same token, this moral code supplies a definition of criminal action; murder is a crime, theft is a crime, and it is criminal to abridge any person's lawful freedom. It becomes a function of the law, then, in harmony with the moral code, to use force against criminal actions in order that peaceful citizens may go about their business. The use of legal force against criminals for the protection of the innocent is the earmark of a properly limited government.

This is an utterly different kind of procedure than the use of government force on peaceful citizens—whatever the excuse or rationalization. People should not be

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forced into conformity with any social blueprint; their private plans should not be overridden in the interests of some national plan or social goal. Government—the public power—should not be used for private advantage; it should not be used to protect people from themselves.

Well, what should the law do to peaceful, innocent citizens? It should let them alone! When government lets John Doe alone, and punishes anyone who refuses to let him alone, then John Doe is a free man.

In this country we have a republican form of government. The word "republic" is from the Latin words, *res* and *publica*, meaning the things or affairs which are common to all of us, the affairs which are in the public domain, in sharp contrast to matters which are private. Government, then, is "the public thing," and this strong emphasis on public serves to delimit and set boundaries to governmental power, in the interest of preserving the integrity of the private domain.

What's in a name? you might be thinking. Well, in this case, in the case of republic, a lot. The word "republic" encapsulates a political philosophy; it connotes the philosophy of government which would limit government to the defense of life, liberty, and property in order to serve the ends of justice. There's no such connotation in the word "monarchy," for example; or in aristocracy or oligarchy.

A monarch is the sole, supreme ruler of a country, and there is theoretically no area in the life of his citizens over which he may not hold sway. The king owns the country and his people belong to him.

Monarchical practice pretty well coincided with theory in what is called "Oriental Despotism," but in Christendom the power of the kings was limited by the nobility on the one hand and the Emperor on the other; and all secular rulers had to take account of the power of the Papacy. Power was played off against power, to the advantage of the populace.

Individual Liberty

The most important social value in Western civilization is individual liberty. The human person is looked upon as God's creature, gifted with free will which endows him with the capacity to choose what he will make of his life. Our inner, spiritual freedom must be matched by an outer and social liberty if man is to fulfill his duty toward his Maker. Creatures of the state cannot achieve their destiny as human beings; therefore, government must be limited to securing and preserving freedom of personal action, within the rules for maximizing liberty and opportunity for everyone.

Unless we are persuaded of the importance of freedom to the individual, it is obvious that we will not structure government around him to protect his private domain and secure his rights. The idea of individual liberty is old, but it was given a tremendous boost in the sixteenth century by the Reformation and the Renaissance.

The earliest manifestation of this renewed idea of liberty was in the area of religion, issuing in the conviction that a person should be allowed to worship God in his own way. This religious ferment in England gave us Puritanism, and early in the seventeenth century Puritanism projected a political movement whose members were contemptuously called Whiggamores—later shortened to Whigs—a word roughly equivalent to "cattle thieves." The king's men were called Tories—"highway robbers." The Whigs worked for individual liberty and progress; the Tories defended the old order of the king, the landed aristocracy, and the established church.

One of the great writers and thinkers in the Puritan and Whig tradition was John Milton, who wrote his celebrated plea for the abolition of Parliamentary censorship of printed material in 1644, *Areopagitica*. Many skirmishes had to be fought before freedom of the press was finally accepted as one of the earmarks of a free society. Free speech is a corollary of press freedom, and I remind you of the statement attributed to Voltaire: "I disagree with everything you say, but I will defend with my life your right to say it."

Adam Smith extended freedom to the economic order, with *The Wealth of Nations*, published in 1776 and warmly received in the thirteen colonies. Our population numbered about 3 million at this time; roughly one-third of these were Loyalists, that is, Tory in outlook, and besides, there was a war on. Despite these circumstances 2,500 sets of *The Wealth of Nations* were sold in the colonies within five years of its publication. The colonists had been practicing economic liberty for a long time, simply because their governments were too

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busy with other things to interfere—or too inefficient—and Adam Smith gave them a rationale.

The Bill of Rights

Ten amendments to the Constitution were adopted in 1791. Article the First reads: "Congress shall make no law respecting the establishment of religion, or prohibiting the free exercise thereof . . . ." The separation of Church and State enunciated here was a momentous first step in world history. Religious liberty, freedom of the press, free speech, and the free economy are four departments of the same liberating trend—the Whig movement.

The men we refer to as the Founding Fathers would have called themselves Whigs. Edmund Burke was the chief spokesman for a group in Parliament known as The Rockingham Whigs. In 1832 the Whig Party in England changed its name to one which more aptly described its emphasis on liberty. It became the Liberal Party, standing for free trade, religious liberty, the abolition of slavery, extension of the franchise, and other reforms.

Classical Liberalism is not to be confused with the thing called "liberalism" in our time! Today's "liberalism" is the exact opposite of historical Liberalism—which came out of the eighteenth-century Whiggism—which came out of the seventeenth-century Puritanism. The labels are the same; the realities are utterly different. Present-day liberals have trouble with ideas, as ideas, so they try to dispose of uncomfortable thoughts by pigeonholing them in a time slot. The ideas of individual liberty, inherent rights, limited government, and the free economy are, they say, eighteenth-century ideas. What a dumb comment! The proper test of an idea is not the test of time but the test of truth!

You may be wondering why I have not yet used the word "democracy," although I've spoken of monarchy, oligarchy, and liberalism. Well, I'll tell you. Our discussion has focused on the nature of government, and we have discovered that the essence of government is power, legal force.

> How often have you heard someone declare, "In America, we are the government"? This assertion is demonstrably untrue.

Once this truth sinks in we take the next step, which is to figure out what functions may appropriately be assigned to the one social agency authorized to use force. This brings us back to the moral code and the primary values of life, liberty, and property. It is the function of the law to protect the life, liberty, and property of all persons alike in order that the human person may achieve his proper destiny.

Voting Is Appropriate for Choosing Office-Holders

There's another question to resolve, tied in with the basic one, but much less important: How do you choose personnel for public office? After you have employed the relevant intellectual and moral criteria and confined public things to the public sector, leaving the major concerns of life in the private sector . . . once you've done this there's still the matter of choosing people for office.

One method is choice by bloodline. If your father is king, and if you are the eldest son, why you'll be king when the old man dies. Limited monarchy still has its advocates, and kingship will work if a people embrace the monarchical ideology. Monarchy hasn't always worked smoothly, however, else what would Shakespeare have done for his plays? Sometimes your mother's lover will bump off the old man, or your kid brother might try to poison you.

There's a better way to choose personnel for public office; let the people vote. Confine government within the limits dictated by reason and morals, lay down appropriate requirements, and then let voters go to the polls. The candidate who gets the majority of votes gets the job. This is democracy, and this is the right place for majority action. As Pericles put it 2,500 years ago, democracy is where the many participate in rule.

Voting is little more than a popularity contest, and the most popular man is not necessarily the best man, just as the most popular idea is not always the soundest idea. It is obvious, then, that balloting—or counting noses or taking a sampling of public opinion—is not the way to get at the fundamental question of the proper role of government within a society. We have to think

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hard about this one, which means we have to assemble the evidence; weigh, sift, and criticize it; compare notes with colleagues; and so on. In other words, this is an educational endeavor, a matter for the classroom, the study, the podium, the pulpit, the forum, the press. To count noses at this point is a cop out; there's no place here for a Gallup Poll.

To summarize: The fundamental question has to do with the scope and functions of the political agency, and only hard thinking—education in the broad sense—can resolve this question. The lesser question has to do with the choice of personnel; and majority action—democratic decision—is the way to deal with it. But if we approach the first question with the mechanics appropriate to the second, we have confused the categories and we're in for trouble.

"Democratic Despotism"

We began to confuse the categories more than 140 years ago, as Alexis de Tocqueville observed. His book *Democracy in America* warned us about the emergence here of what he called "democratic despotism," which would "degrade men without tormenting them." We were warned again in 1859 by a professor at Columbia University, Francis Lieber, in his book *On Civil Liberty and Self-Government*: "Woe to the country in which political hypocrisy first calls the people almighty, then teaches that the voice of the people is divine, then pretends to take a mere clamor for the true voice of the people, and lastly gets up the desired clamor." Getting up the desired clamor is what we call "social engineering" or "the engineering of consent."

What is called "a majority" in contemporary politics is almost invariably a numerical minority, whipped up by an even smaller minority of determined and sometimes unscrupulous men. There's not a single plank in the platform of the welfare state that was put there because of a genuine demand by a genuine majority. A welfarist government is always up for grabs, and various factions, pressure groups, special interests, causes, ideologies seize the levers of government in order to impose their programs on the rest of the nation.

Let's assume that we don't like what's going on today in this and other countries; we don't like it because people are being violated, as well as principles. We know the government is off the track, and we want to get it back on; but we know in our bones that Edmund Burke was right when he said, "There never was, for any long time . . . a mean, sluggish, careless people that ever had a good government of any form." Politics, in other words, reflects the character of a people, and you cannot improve the tone of politics except as you elevate the character of a significant number of persons. The improvement of character is the hard task of religion, ethics, art, and education. When we do our work properly in these areas, our public life will automatically respond.

> Voting is little more than a popularity contest, and the most popular man is not necessarily the best man, just as the most popular idea is not always the soundest idea.

Large numbers are not required. A small number of men and women whose convictions are sound and clearly thought out, who can present their philosophy persuasively, and who manifest their ideas by the quality of their lives, can inspire the multitude whose ideas are too vague to generate convictions of any sort. A little leaven raises the entire lump of dough; a tiny flame starts a mighty conflagration; a small rudder turns a huge ship. And a handful of people possessed of ideas and a dream can change a nation—especially when that nation is searching for new answers and a new direction.

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Why the Social Security Tax Cap Shouldn't Be Raised

BY DAVID R. HENDERSON

In recent months Senator Lindsey Graham, a Republican from South Carolina, has suggested making all earned income up to $200,000 subject to the Social Security (FICA) tax. The current maximum on which Americans pay the tax is $90,000. This maximum rises every year based on a government estimate of real wage growth in the recent past. Distressingly, President George W. Bush has refused to rule out such a tax increase. Pundit George Will, in a recent column that was favorable to the proposal, asserted that Graham's suggested tax hike "hardly blurs the distinction between conservatism and Bolshevism." Yet Will's own reasoning belies his assertion.

Marx's famous dictum was "From each according to his ability to each according to his need." And how does Will justify this tax increase? This increased tax, he writes, "would be paid mostly by Republicans—but also by the people most able to put substantial sums into the personal accounts that might become politically feasible only by raising the cap." In other words, the tax is justified, in Will's eyes, by ability to pay, which is the essence of communism.

Yet there is a strong economic, and a strong moral, case against the tax increase. First, the economics. Increasing the amount of taxed income would massively raise marginal tax rates for many of the most productive people. The marginal tax rate is the rate on the last dollar of income; non-economists typically call it their tax bracket. The marginal rate on those whose incomes are between $90,000 and $200,000 would increase by 6.2 percentage points for employees and by a whopping 12.4 percentage points for the self-employed. (Part of the 6.2 points paid by the employer would be borne by the employee. The actual split in the real burden of the tax between employer and employee depends not at all on who nominally pays the tax; it depends entirely on the relative elasticities of supply and demand. But that's a longer story.)

Most people with earned income between $90,000 and $200,000 face a marginal tax rate of 31 to 40.5 percent. They are in a 25-to-33 percent federal income tax bracket. Their state tax bracket is probably about 6 to 9 percent. Of course, many high-income people itemize their deductions and thus can deduct their state taxes in arriving at their taxable income. So adjusted for the deductibility of state taxes on their federal tax form, the marginal state tax rate relevant to them is 4.5 to 6 percent. They also pay a 1.45 percent Medicare tax (2.9 percent for the self-employed) on all earnings. Thus raising the cap would increase the marginal rates of high-income employees by 15 to 20 percent. Raising the cap for the self-employed would increase their marginal rates by a whopping 31 to 40 percent.

A salaried worker making $200,000 a year would pay $6,820 more in taxes every year, while a self-employed worker would pay $13,640 more. This would be the biggest tax increase on high-income people since President Clinton's and for many people would be a *bigger* tax increase than that. A rise in marginal rates would discourage work. The person previously in the 40.5 percent bracket would keep only 53.3 cents of an additional dollar earned, down from 59.5 cents before the tax increase. People would also find ways of being paid other than by

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taxable income, such as by receiving a company car. The employee considering a move to a less-desirable location for more pay, if he was just slightly inclined to make the move before the tax increase, might well say no.

It's not just the economics that makes the tax increase a bad idea. The tax increase is also morally wrong. Consider the fact that high-income people already get a lousy deal from Social Security. Of course, almost everyone gets a lousy deal: that's the nature of a Ponzi scheme, legal or illegal, for the latecomers, and today we're all latecomers. But high-income people get an even worse deal because the formula for Social Security benefits is heavily weighted in favor of low-income people. This is offset somewhat by higher-income people's longer life spans, but the net effect is still that high-income people, per dollar of taxes, do worse than low-income people. Presumably, benefits for higher-income taxpayers would not rise in line with taxes. Otherwise, why raise the tax in the first place? The purpose of the tax is to generate more revenue to solve the long-term funding problem. It would solve none of this problem if the government raised Social Security benefits dollar for dollar.

Furthermore, even if the government planned to raise Social Security benefits to help high-income people, that's little comfort. Many people are happy to save their own money for retirement. Currently, a few million Americans can look forward every year to reaching the existing threshold and knowing that the feds will keep their FICA hands off any additional income. We should be free to save that money or spend it as we wish.

How did we get in this situation where a President committed to tax cuts is considering a huge tax increase? The answer illustrates the old saw "Be careful what you wish for." Bush started with privatization as his goal. He wanted to figure out how to fund the budget hole left by letting people save in private accounts some of what would otherwise be taken in Social Security taxes. And then he noticed a juicy target: those who can well afford to pay the tax increase.

Wrong Goal

Some analysts have commented that Bush erred by having privatization as his goal rather than solving Social Security's long-term funding problem. Well, they're half right. Privatization is the wrong goal: at best, it's a means. But solving the long-term funding problem is the wrong goal too, because it takes as given that Social Security should be funded long-term. In other words, it accepts a program that is a form of perpetual intergenerational abuse. Each retired generation gets to tax the younger working generation, and when that generation comes of age it does the same, and so on. This intergenerational abuse must stop.

Bush would not have gone wrong if instead of asking, "How can I privatize?" he had asked, "How can I alter Social Security to reduce the size, intrusiveness, and injustice of this horrible government program?" Instead, he is poised to make Social Security more intrusive. What a tragedy it would be if a president who claims to believe in the "Ownership Society" ended up further violating our rights to our own income.

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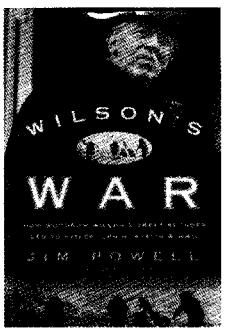
Book Reviews

Wilson's War: How Woodrow Wilson's Great Blunder Led to Hitler, Lenin, Stalin and World War II

by Jim Powell

Crown Forum • 2005 • 341 pages • $27.50 hardcover

Reviewed by Richard M. Ebeling



It is difficult for many of us to understand the almost euphoric enthusiasm with which millions of Europeans marched off to war in the summer of 1914. For almost a century the people of Europe had, in general, lived through an amazing time in which living standards for practically everyone reached heights never before known in history. Governments, however imperfectly, had been tamed by constitutions, the rule of law, growing respect for individual liberty, and protection for private property and free enterprise.

Europe had not experienced a prolonged and massively destructive war since the defeat of Napoleon one hundred years earlier. To be sure, there had been some wars and civil wars, especially in central and eastern Europe during the nineteenth century. But they were relatively short and, compared to what were experienced in the twentieth century, rather limited in their destruction of life and property. "Rules of warfare" recognized the rights of neutrals and noncombatants in Europe, though not in the colonial areas of Asia and Africa.

But in the last decades of the nineteenth century, beneath the appearance of a classical-liberal utopia of freedom, peace, and prosperity, new ideological forces had been winning the hearts and minds of a growing number of people. These forces were socialism, nationalism, and imperialism—in a word, philosophical, political, and economic collectivism.

The air was filled with calls to arms in the name of national greatness and glory, talk of a higher social good more important than the "mere" interests of individuals, and the notion that peoples discovered their "destinies" not in peaceful industry, but on battlefields amid the thrust of bayonets.

Four years after the war began, by the autumn of 1918, more than 20 million Frenchmen, Englishmen, Germans, Austrians, Hungarians Italians, Russians, Greeks, Turks, Armenians, Serbs, Poles, Romanians, Bulgarians, and many others were dead. European industry and agriculture were ruined, and a good part of the accumulated wealth of a century had been consumed.

Jim Powell, in his book *Wilson's War*, tells the story of how this came about, what the consequences were, and the role Woodrow Wilson played in making this entire catastrophe worse than it might have been.

While not ignoring Imperial German militarism, aggressiveness, and bellicosity in the decades before World War I, Powell emphasizes the various nationalist ambitions and secret alliances among all the major belligerents that kept the war from being simply "Germany's fault." Battlefield incompetence by generals and political arrogance and stubbornness by national leaders on both sides dragged the war on and on in the face of mounting casualties and growing economic hardship unknown in living memory.

At first, Powell explains, Wilson—a vain and often vengeful man—claimed the role of impartial arbiter to bring the war to a negotiated conclusion. But soon both he and his circle of cabinet members and advisers decided that victory should belong to Great Britain and France. Finally, after winning reelection in 1916 on the slogan "He kept us out of war," Wilson had Congress declare war on Germany in April 1917, although neither Germany nor any of its allies had attacked or threatened the United States. At the peace conference that followed the November 1918 armistice, Wilson's idealistic rhetoric was drowned out by the imperial and territorial ambitions of the British and French that left Germany and the former Austro-Hungarian and Russian Empires in a shambles.

Powell persuasively suggests that if America had stayed out of the war the belligerents, exhausted and with no hope of a clear battlefield victory, might have accepted the need to end the conflict without any winner. Had that happened, there might well have been no Bolshevik revolution in Russia and therefore no deadly 75-year "experiment" in Soviet communism under

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Lenin, Stalin, and those who followed them. If Germany had not been humiliated, stripped of 13 percent of its territory, burdened with "war guilt" and heavy reparations, and left in political and economic chaos, a demagogue like Hitler, with his Nazi ideology of racism and blood lust for revenge and conquest through a new war, might not have come to power.

Had America not taken the path of foreign intervention in 1917, it might not have set the precedent of assuming the mantle of global policeman throughout the remainder of the twentieth century and now into the 21st century. In the world Woodrow Wilson did so much to create, the United States suffered not only hundreds of thousands of casualties in two global wars, but also over a hundred thousand additional deaths in the Korean and Vietnam wars.

Nor should it be forgotten that this U.S. role has cost Americans dearly in other ways: hundreds of billions of dollars in tax money; the growth and increased intrusiveness of the federal government; and their placement in harm's way throughout the world. This has been a heavy price to pay for Woodrow Wilson's war ambitions.

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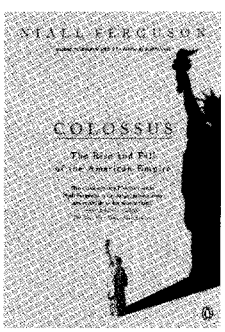
Colossus: The Rise and Fall of the American Empire

By Niall Ferguson

Penguin • 2004 • 240 pages • $25.95 hardcover; $16.00 paperback

Reviewed by Doug Bandow



It's always easy to spend other people's money. Unfortunately, some people have an equally easy time spending other people's lives.

Over the last decade, the United States has routinely, even frivolously, attacked countries, overthrown regimes, and intervened in civil strife where few or no American security interests were at stake. Particularly striking is that two successive administrations that were filled with people who avoided the draft in Vietnam or chose not to volunteer in succeeding years were so enthusiastic in making war.

Equally striking has been the overseas cheerleading. Other countries long have urged America to defend them even if they don't do much for themselves. Now comes foreign enthusiasm for American empire. The United States has the wealth and power. Why don't its citizens want to fight endless wars and patrol endless hellholes around the world?

British historian Niall Ferguson is the latest foreign intellectual to generously suggest squandering American money and lives to advance his vision of global social engineering. Americans, he writes, "should try to do a better rather than a worse job of policing an unruly world than their British predecessors."

Still, Ferguson's book is as interesting as it is irritating. He begins by asking: Is America an empire? Yes, he responds. Indeed, "it always has been an empire."

U.S. power is extraordinary. Ferguson details America's stunning military dominance, economic strength, and other forms of "soft power." The first Americans believed in limited government, but had grand ambitions for the nation. Notes Ferguson: "there were no more self-confident imperialists than the Founding Fathers themselves."

America expanded through a combination of brutal warfare and generous expenditure. Domestic expansion was later supplemented with overseas imperialism. But in contrast to European colonialism, Ferguson writes, the United States "could instead use its economic and military power to foster the emergence of 'good government' in strategically important countries," such as the Philippines. Alas, good government seldom showed up in practice. Today, more than a century later, the Philippines exhibits little "good government."

But it was the world wars that turned America into a global power. Coming out of World War II, the United States manifested what Ferguson terms "the imperialism of anti-imperialism." The result, ironically, was an empire. He writes: "even as Americans pledged themselves to make war against the empires of their allies and enemies alike, all unacknowledged, their own empire grew apace." Since Washington was not consciously attempting to rule the world, its efforts were more inadvertent than planned.

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The refusal to consciously do more irritates Ferguson. Fighting the Cold War was always expensive and sometimes bloody, but Washington was cautious. For instance, the Truman administration refused to attack China after it intervened in the Korean War.

In just two paragraphs—a surprisingly superficial discussion in a generally enlightening book—Ferguson suggests that the United States should have deployed tactical nuclear weapons against China. He attributes the war's two-year bloody stalemate to the failure to go nuclear.

Ferguson's blithe willingness to have Washington inaugurate global war then matches his belief that the United States should patrol the planet now. He advocates that America do so even though he recognizes that intervention helps spawn terrorism. After all, the latter "is the continuation of war by other means—by those who are too weak to wage proper war in pursuit of their political goals."

That's not the only cost that he suggests America bear. Although the price of military empire is lower than today's wildly irresponsible domestic spending, the combined total is formidable. And for some reason, Americans "like Social Security more than national security," he fusses.

Unfortunately, in his view, the biggest problem is an "attention deficit." Most Americans just don't want to be imperialists. There is in the United States "the absence of a will to power."

How true and how wonderful.

The world is filled with tragedy. The temptation to try to reach out and manipulate other societies is great. But while a British academic might be willing to treat U.S. soldiers as gambit pawns on a global chessboard, the American government is responsible for and to its servicemen and women, just as it is to its other citizens.

Equally important, most Americans don't want to remake the world, engage in global social engineering, or create an empire. Instead, they want to spend time with their families and friends. They want to earn money, enjoy the bounty of the world's most creative and productive society, and leave the problems of the world behind. And they want the patriots who join the military to be able to do the same at any time other than during a genuine emergency.

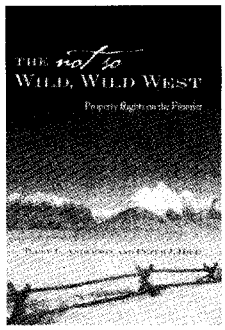
Americans do lack "a will to power." That is a testament to their greatness.

Doug Bandow is a senior fellow at the Cato Institute and a former special assistant to President Ronald Reagan.

The Not So Wild, Wild West: Property Rights on the Frontier

by Terry L. Anderson and Peter J. Hill
Stanford University Press • 2004 • 250 pages • $24.95

Reviewed by George C. Leef



I remember very well the images of the American West I received as a child. Movies, TV shows, and books convinced me that the West was excitingly wild and violent, with wars and gunfights as staples of everyday life. No doubt millions of others have grown up with the same idea, and a corollary—that the West was tamed by the extension of government into the region.

Guess what: it's a fable.

In their book *The Not So Wild, Wild West*, economists Terry Anderson and Peter Hill masterfully demonstrate that the West was not at all like the common view. Not only was violence not particularly prevalent, but stable socioeconomic relationships arose spontaneously before there was much governmental presence. In fact, Anderson and Hill repeatedly show, the arrival of government usually made matters worse, as politicians and interest groups were able to upset the arrangements that people had worked out to maximize the benefits they could derive from the land and its resources and to minimize conflict.

Writing from the vantage of the New Institutional Economics, the authors explain that "cooperation dominated conflict because the benefits and costs of institutional change redounded to small, well-defined groups or communities. As long as new institutions evolved locally and voluntarily, the costs of conflict and the benefits of cooperation were internalized by the decision makers." Whether the issue was cattle, mining claims, water, or anything else, people were remarkably good at

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devising efficient rules and structures in order to make the most out of the conditions they faced. In a nutshell, the American West was a laboratory in which Hayekian ideas about the benefits of spontaneous order were put to the test and found to hold true.

Anderson and Hill look at the West from numerous angles, all yielding fascinating insights. Their chapter "Property Rights in Indian Country" dispels the myth that Indians lived in a kind of socialistic utopia with no taint of private property. Depending on their circumstances, which varied greatly in different regions, Indian tribes developed property-rights institutions ranging from communal to "systems hardly less individualistic than our own." Indian cultures devised private property where resources required long-term investments and care to avoid what we now call the tragedy of the commons. Among the Paiute, for example, groves of pinon trees were treated as family property subject to inheritance, and there were rules against trespass. The romantic leftist notion that American Indians prove the superiority of socialism has lain in intellectual ruins for years. If you need a cogent refutation (perhaps to use against teachers who use the Chief Seattle myth to push students into opposing capitalism), you can't do better than this book.

What about all the warfare with Indians? Most readers will be surprised to learn that there wasn't much of it in the eighteenth and well into the nineteenth centuries. In those years, trading and negotiation were the norm, and warfare was rare. The famous Indian wars of the 1870s and 1880s had to do mainly with the arrival of the regular U.S. Army. Anderson and Hill observe that "Maintaining a standing army, as opposed to raising local militia, shifted the cost of fighting to others and predictably increased the number of battles." For one thing, the incentives of the Army were aligned with combat—the more there was, the more the chance for higher rank and pay. The authors quote General Sherman, who once lamented how hard it was to "make a decent excuse for an Indian war." More important, those who were interested in taking Indian land could spread the cost and risk among the rest of the population, and didn't hesitate to do so. The book makes it clear that the problem wasn't "the white man," but rather that some white men were in a position to make others bear the cost of aggression.

Rationality rather than conflict was similarly the rule with frontier-mining claims and the allocation of water rights. The book also has a wonderfully insightful chapter on the economics of wagon trains. The authors' discussion of the irrationality, inefficiency, and utter folly of federal intervention in the natural order that had previously arisen should be imported into college economics and public-policy courses.

The Not So Wild, Wild West is a beautifully written and printed volume that teaches us much about the American West, but also about human nature and the economic way of thinking. Congratulations to Terry Anderson and P.J. Hill for an outstanding book.

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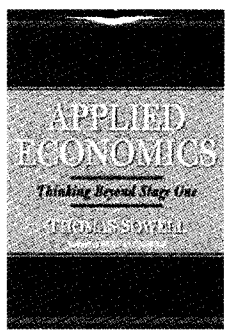
Applied Economics: Thinking Beyond Stage One

by Thomas Sowell
Basic Books • 2004 • 222 pages • $30.00

Reviewed by Craig M. Newmark



This book works well on two levels. First, it explains the basic principles of economics in an unusual way—without equations, graphs, and jargon. It could be read easily by an intelligent ninth-grader, but it is neither condescending nor dull. Sowell is a master storyteller. Second, *Applied Economics* compares how well markets work to how well governments do.

Sowell stresses two fundamental ideas. One is that we desire far more things than we could ever hope to produce. Since we can't have everything we want, we must, both individually and collectively, make choices. And when we choose one thing, we sacrifice the chance to obtain other things we want. Choices are often difficult to make, but unavoidable.

In chapters on the labor, housing, and medical-care markets, Sowell vividly illustrates that idea. For example, we can punish doctors who we believe have made mistakes, but we will discover that doctors are subsequently less willing to perform risky procedures.

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The other fundamental idea is that in making their choices, people will respond to incentives, particularly prices. If the price of doing something rises, people will do less of it. If the price falls, people will do more of it. This simple idea provides powerful insight into individual behavior. Here, too, Sowell illustrates. If the government limits the price per visit doctors may charge, they will schedule more but shorter—and rushed—visits. If laws restrict the height of buildings, more buildings will be created, leading to more traffic and more sprawl. Sowell relates that Mikhail Gorbachev once asked Prime Minister Margaret Thatcher how she arranged for her citizens to get fed. She answered that she didn't arrange it; individuals responding to prices did.

Sowell shows that a key characteristic of markets is that they confront individuals with the costs of their actions. If I fail to maintain my car, I'll bear the cost and inconvenience if it breaks down. Even if it doesn't break down, I'll suffer the decrease in value when I dispose of it. But when I decide which government policies to support or officials to vote for, I bear little of the cost of my actions. If I am uninformed or apathetic, it matters little because my individual vote has a negligible effect on the outcome. Since the price of supporting unwise public policy seems low, economics predicts that people will often support unwise public policy.

Furthermore, government employees and officials bear little of the cost of their actions. Unlike private firms, few government agencies are eliminated because of bad results. Elected officials can avoid bearing the cost of their actions if the consequences take time to appear, because it's difficult to attribute a particular problem to poor government policy implemented years earlier. Sowell concludes, therefore, that politicians tend to choose policies that offer quick benefits, even if large costs come later. This gives Sowell the subtitle of his book, "Thinking Beyond Stage One": he urges readers to use economics to think past the promise of easy benefits and to understand the full cost of government policies.

He presents many examples of the underappreciated long-term cost of government actions, including price controls on apartments and medical care, mandatory recycling, and laws "guaranteeing" job security. One impressive example is heavy city or state taxation of profitable companies. In the short run—stage one—this can raise lots of money for programs that benefit some citizens. But in the longer run, as companies reduce employment, move away, and refuse to locate in the area, cities and states inevitably incur significant costs. Sowell concludes, "Politics offers attractive solutions but economics can offer only trade-offs."

For anyone interested in learning some economics, but who is discouraged by its seeming complexity, this is an informative and well-written book. (Readers interested only in fundamental economics can read Sowell's earlier book, *Basic Economics*.) For anyone interested in public policy and how to improve it, this is a superb book.

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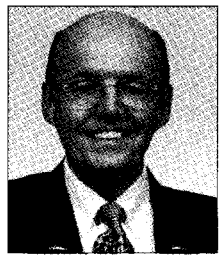
Employee Free Choice and Top-Down Organizing



BY CHARLES W. BAIRD

The good news is that American union membership in the private sector fell from 8.2 percent in 2003 to 7.9 percent of the labor force in 2004. (In 1900 the figure was 7 percent without any union-friendly legislation on the books.) Over the same time the market share of government-employee unions fell from 37.2 to 36.4 percent. The percentage of unionized workers who are government employees increased from 46.4 to 47.1, while government-sector workers were 16 percent of the employed labor force in both years. The decline of private-sector unions continues, and government-sector unionism continues to become the only sort of American unionism of any consequence.

The bad news is that the unions have come up with two nefarious schemes to try to arrest their decline in the private sector.

I have often advocated repeal of the National Labor Relations Act (NLRA), which, since its inception in 1935, has imposed involuntary unionism in several private-sector industries in the United States. I now think that growing global competition in both product and labor markets will eventually make the NLRA almost irrelevant. Long before many politicians think seriously of repealing the Act, competition and entrepreneurship will already have done most of the job. The part not done, however, will still be a problem.

Under the NLRA a union gets to be the certified monopoly collective-bargaining agent of a group ("bargaining unit") of employees in an enterprise through a secret-ballot election. A union seeking such privileges must first collect the signatures of at least 30 percent of the workers in the bargaining unit on "authorization cards." It then must petition the National Labor Relations Board (NLRB) for a secret-ballot election. If a majority of workers vote for the union, then all workers in the bargaining unit must accept the representation of the winning union whether they want to or not. Individuals are even forbidden to represent themselves.

In previous columns I have decried this system of forced association as an illicit application of mandatory submission to majority rule, which can be appropriate in the government realm, to the private sphere of human action, where it is never appropriate. Now the unions too are unhappy with winner-take-all majority-rule workplace elections—but for an altogether different reason. They are losing too many of them. Unions can choose the elections they ask the NLRB to conduct, yet recently they have been losing most of them.

Unions cannot admit to themselves or anyone else that the reason for their private-sector decline is that more and more workers prefer to remain union-free. Instead, they claim that the secret ballot does not permit workers to express their true preferences. Employers, they allege, by persuasion and intimidation, make it difficult for employees to exercise their free choice in the voting booth. The NLRA already imposes severe penalties on employers found guilty of interfering with employee free choice in representation elections; but, it seems, that is not enough. The unions now want Congress to abolish secret-ballot elections and allow the NLRB to certify unions by "card check certification."

In 2004 the unions got two of their mandataries in the House and Senate to introduce an "Employee Free Choice" bill. It acquired 208 cosponsors in the House and 30 in the Senate. The bill would have amended the NLRA to force the NLRB to confer monopoly bargaining privileges on any union that had collected signatures on authorization cards from a majority of workers in a bargaining unit. The bill never made it out of committee in either house, and there is even less chance that it will be heard, much less adopted, in the current Congress. Yet it still has many supporters and is almost certain to be revived in any future union-friendly Congress.

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A predictable effect of the bill is that it would extinguish free choice. Unions solicit signatures on authorization cards face to face. Any worker who declines to sign is "urged" to reconsider. If he continues to refuse he is likely to be accused of being anti-union—he becomes a person to be ridiculed, ostracized, threatened, and even worse. Union organizers, who have a well-earned reputation for being less than peaceful when it comes to getting their way, may know where the worker and his family live, what cars they drive, where they travel. When faced with those, at least implicit, threats, all but the most courageous workers will cave in and sign. Collecting signatures from a majority under such circumstances reveals nothing about the uncoerced free choice of those workers.

Under present law, signatures only lead to a secret-ballot election, in which workers can freely express their preferences. I don't think the free choices of a majority should bind the minority in such elections, but at least all workers get to express their preferences freely.

A related part of the unions' new remedy for their private-sector decline is their resort to "top-down organizing." First a union attempting to round up new dues payers threatens a "corporate campaign": It, together with other unions and the usual coterie of civic and religious activists groups, picket and attempt to get customers, suppliers, lenders, and other financial backers to boycott the target corporation. If a corporate-campaign threat seems credible or is actually undertaken, the union then offers the corporation a way out—a "neutrality agreement." In any other context this would be called extortion.

Under a neutrality agreement the employer must at least agree not to resist unionization. Often the employer also agrees to help the union by such tactics as holding mandatory meetings where he urges employees to unionize and providing their addresses and telephone numbers.

Recognizes the Monopoly

In many neutrality agreements the employer even agrees to recognize the union as the monopoly bargaining agent if a majority of workers signs cards. The NLRB can legally certify a union under these circumstances. The "Free Employee Choice" bill would not require an employer's agreement for certification.

The NLRA envisions workers organizing themselves into unions from the bottom up, not employers organizing workers from the top down. Section 8(a)2 says that it is an unfair labor practice for an employer "to dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it." It seems to me that many neutrality agreements directly violate that section. Until recently the NLRB had acquiesced in such agreements, but a year ago it voted 3-2 to reconsider the issue in two cases involving the United Auto Workers (UAW) and two automotive suppliers, Dana Corporation in Ohio and Metaldyne Corporation in Pennsylvania. The complaints were bought by employees of the firms who argued that, notwithstanding card-check neutrality agreements, the UAW did not have majority support among employees. The three NLRB members explained their decision to reconsider the cases in these words: "[T]he superiority of Board supervised secret ballot elections and the importance of Section 7 rights of employees [to choose to refrain from unionization] are . . . factors which warrant a critical look at the issues raised herein." They did not cite Section 8(a)2 as a concern, but it may come up as the case is heard.

The decisions of the NLRB depend critically on the political and ideological sympathies of its five members. The current majority was appointed by President Bush, and it is likely to be sustained through 2007. I am optimistic about the outcome of these specific cases, but they will not settle the issue. A ruling against card-check certification and top-down organizing would likely be reversed by a future Board with a majority appointed by a more union-friendly president. That is why I say that competition and entrepreneurship will make the NLRA "almost" irrelevant. Only official repeal of the NLRA can permanently free American workers from a politicized NLRB.

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